



**LARGE BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **Public Disclosure**

January 12, 2005

# **Community Reinvestment Act Performance Evaluation**

**Bremer Bank, National Association  
Charter Number: 23285**

**720 Broadway  
Alexandria, MN 56308**

**Office of the Comptroller of the Currency**

**Minneapolis North  
920 Second Avenue South 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 following table indicates the performance level of **Bremer Bank, National Association** with respect to the Lending, Investment, and Service Tests:

Performance Levels	Bremer Bank, National Association Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding		X	
High Satisfactory	X		X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

\* The lending Test is weighted more heavily than the investment and service tests when arriving at an overall rating.

The major factors that support this rating include:

- A substantial majority of bank loans (96% by number) are inside its assessment areas. By product, 96% of home mortgage loans, 97% of small business loans and 97% of small farm loans are inside the bank's assessment areas. This volume of local lending demonstrates excellent responsiveness to area credit needs.
- Bremer's deposit market share is excellent, ranking 1st of 76 financial institutions with offices in the bank's Alexandria MN assessment area.
- The loan distribution to business and farms of different sizes is excellent in both assessment areas.
- The loan distribution to home mortgage customers of different income levels is good in the Alexandria MN AA.
- Bremer's lending activity reflects excellent responsiveness in both assessment areas represented by 2nd place market shares for both small business lending and small farm lending in the Alexandria MN assessment area and a 4th place market share in small business lending and a 3rd place small farm lending market share in the North Dakota assessment area.
- Bremer originated a good level of community development loans in both assessment areas over the evaluation period.

- Bremer has an excellent level of qualified investments in both assessment areas. Bremer's overall investments total 3.41% of the bank's Tier I capital including the regional investments. These levels represent excellent responsiveness to community needs.
- Bremer's delivery systems are reasonably accessible to geographies and individuals of different income levels.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout 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. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

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

**Block Numbering Area (BNA):** A statistical subdivision of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. A BNA does not cross county lines.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** 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 the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, 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, home equity 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 household and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full 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 or a block numbering area 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 do business or have banking offices in a metropolitan area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

**Home Mortgage Loans:** such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes loans for multifamily (five or more families) dwellings, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

**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 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 income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**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 MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development 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 it and half below it.

**Metropolitan Area (MA):** Any primary metropolitan area (PMA), metropolitan area (MA), or consolidated metropolitan area (CMA), as defined by the Office of Management and Budget, with a population of 250,000 or more, and any other area designated as such by the appropriate federal financial supervisory agency.

**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.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**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.

**Rated Area:** A rated area is a state or multi-state metropolitan 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 area, the institution will receive a rating for the multi-state metropolitan 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) and the Thrift Financial Reporting (TFR) 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. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One 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 more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.

## Description of Institution

Bremer Bank, National Association (Bremer) is a \$500 million interstate bank headquartered in Alexandria, Minnesota. In addition to the main office and one branch in Alexandria, the bank has five branches located in the Minnesota communities of Brandon, Fergus Falls, Starbuck, Morris, and Breckenridge. The bank also maintains one branch in Wahpeton, North Dakota.

The bank is owned by Bremer Financial Corporation (BFC), a \$6.2 billion holding company headquartered in St. Paul, Minnesota, and its employees. BFC affiliates have more than 100 locations throughout Minnesota, North Dakota and Wisconsin. Non-bank affiliates include trust and insurance companies. BFC is owned by the Otto Bremer Foundation (Foundation). A majority of the Foundation's assets are invested in BFC. Earnings generated by BFC and other investments support local nonprofit activities through the grant-making activities of the Foundation. At the bank's request, we considered qualified investments of the Foundation in the evaluation of the bank's Investment Test performance.

Bremer is a full-service bank offering a variety of loan and deposit products. Its lending focus is commercial, agricultural, and home mortgage loans. As of December 31, 2004, gross loans totaled \$387 million, representing 76% of total assets. Tier 1 capital totaled \$38 million. The loan portfolio consists of the following composition: commercial (52%), residential real estate (24%), consumer (14%) and agriculture (10%) loans.

There are no financial, legal, or other factors that impede the bank's ability to help meet the credit needs in its assessment areas. Bremer received a Satisfactory rating as of its last CRA examination dated November 13, 2001.

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

We evaluated Bremer's small business, small farm and mortgage data for the period beginning January 1, 2001 through December 31, 2003. The evaluation of this data was completed using two separate analysis periods due to changes in the census data available. Small business, small farm and mortgage loans originated through 2002 were compared to demographic data based on 1990 census information while loans originated in 2003 were compared to demographic data based on 2000 census information. Small business and small farm loans through 2002 were compared to 2002 peer data and 2003 peer data was used for comparison with the 2003 small business and small farm loans originated.

For community development loans, investments, community development services and retail services, the evaluation period was January 1, 2001 through December 31, 2004.

The bank's branch distribution was compared to demographics based on 2000 census data.

Products reviewed under the Lending Test include small business loans, small farm loans, home mortgage loans, and community development loans. Our analysis of home mortgage loans did not include home improvement loans as the bank did not separately report these loans.

For analysis purposes, more weight was applied to the lending activity during the 2001-2002 evaluation period. 67% of the loan volume during this evaluation period was completed during that 2-year period.

Nearly 90% of the bank's loan originations were generated from the Alexandria MN assessment area (MN AA). Therefore, this AA was weighted far more heavily than the North Dakota AA (ND AA).

In our analysis of borrower distribution, we considered the level of poverty in each AA and the impact it could have on the ability of lower-income families to own homes and obtain financing.

### **Data Integrity**

Bremer is not required to publicly report data on the home mortgage loans that it originates, however, it does gather HMDA data for internal use. The validity of that data was verified and was used to draw conclusions about the bank's home mortgage lending activities.

Prior to conducting this evaluation, we tested the accuracy of the bank's small business and small farm loan data. We found the data to be accurate and used the data in the evaluation.

We also reviewed community development loans, investments and services provided by Bremer management to ensure they met the regulatory definition of community development. The few that did not meet the definition were excluded from this evaluation.

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

We performed full-scope reviews for the both the MN AA and the ND AA. Bremer has no other assessment areas.

### **Ratings**

The bank's overall rating is a blend of the two state ratings, however, greater weight was placed on the State of Minnesota ratings, because Minnesota represents 88% of the offices and 90% of the loan originations for the bank. The MN AA is based entirely

on the Alexandria AA. The State of North Dakota ratings are based entirely on performance in the Wahpeton AA.

For the investment and services tests, the most weight was placed on the MN AA as they represent 97% of Bremer's deposits, with the ND AA maintaining the remaining 3%.

## **Fair Lending Review**

An analysis of the most recent public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1998.

## State Rating

### State of Minnesota

<b>CRA Rating for Minnesota<sup>1</sup>:</b>	<b>Satisfactory</b>
<b>The lending test is rated:</b>	<b>High Satisfactory</b>
<b>The investment test is rated:</b>	<b>Outstanding</b>
<b>The service test is rated:</b>	<b>High Satisfactory</b>

The major factors that support this rating are itemized below.

- In the MN AA, Bremer demonstrated excellent lending activity. They had excellent borrower distribution for loans to small businesses and small farms and good borrower distribution for home mortgage loans.
- Bremer provides a significant level of qualified investments and provides good responsiveness to credit and community development needs.
- Bremer's service delivery systems are reasonably accessible and the bank provides convenient services.

### Description of Institution's Operations in Minnesota

The Alexandria, MN AA consists of Douglas, Grant, Otter Tail, Pope, Stevens, Traverse and Wilkin Counties in west central Minnesota. Based on the 1990 U.S. Census information, the AA was comprised of 39 census tracts (CTs), including three moderate-income CTs. AA composition based on the 2000 Census information is slightly changed. The AA now includes 37 CTs, only one of which is considered a moderate-income CT. There were no low-income CTs under either analysis period.

The bank maintains seven offices and sixteen ATM's in the AA. The bank offers a variety of loan products, with an emphasis on commercial lending.

Refer to the market profile for the Alexandria MN AA in Appendix C for detailed demographics and other performance context information.

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<sup>1</sup> For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation does not reflect performance in the parts of this state contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

## **LENDING TEST**

Bremer's performance under the Lending Test in Minnesota is rated High Satisfactory. Based on a full-scope review, the bank's performance in the AA is good. Refer to Table 1 in Appendix D for the facts and data used to evaluate the bank's lending activity.

### **Lending Activity**

Lending levels reflect good responsiveness in relation to credit needs and the bank's deposit market share.

Bremer originated 589 reportable small loans to businesses totaling \$55 million in the MN AA in 2003. This represents a 14.38% market share and ranked second among the 42 financial institutions that reported business loans.

Bremer originated 322 reportable small loans to farms totaling \$22 million in the MN AA in 2003. This represents a second-place, 35.50% market share, only slightly behind the leader with 38.26% of the market share.

For the Lending Test, we gave the greatest weight to Bremer's performance for home mortgage loans. Of the bank's loan originations during the evaluation period, 44% by number and 51% by dollar were home mortgage loans. Of the bank's loan originations, small loans to businesses represented 36% by number and 35% by dollar, and small loans to farms represented 19% by number and 14% by dollar.

For the home mortgage loan analysis, we gave the most weight to home mortgage refinance loans, which represented 72% by number and 70% by dollar of all of Bremer's home mortgage loans.

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

Refer to Tables 2, 3, 4, 5, 6 and 7 of appendix D for the facts and data relating to the geographic distribution of the bank's loans.

An analysis of the geographic distribution of loans in the MN AA is not meaningful, and therefore was not included in our analysis. There are no low-income CTs in the AA. The location of the moderate-income CTs in relation to the bank's branches further supported our lack of analysis as the nearest Bremer branch is more than 20 miles from the moderate-income CTs.

According to the 1990 census data, the three moderate-income CTs contained only 5.6% of the families in the entire AA. The 2000 census data demographics included only one moderate-income CT, representing 1.31% of all families in the MN AA.

Small businesses located in the moderate-income CTs based on 1990 census information represented 5.13% of all businesses in the AA and 1.24% of the businesses based on the 2000 census information.

Small farms located in the moderate-income CTs based on 1990 census information represented 9.36% of all farms in the MN AA and 1.04% of all small farms based on 2000 census information.

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

### **Home Mortgage Loans**

Refer to Tables 8 and 10 in Appendix D for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

Borrower distribution of home mortgage loans in the MN AA reflects good penetration among loan customers of different income levels.

### **Home Purchase Loans**

Bremer's distribution of home purchase loans to borrowers of different income levels is excellent.

Throughout the evaluation period, the percentage of Bremer's home purchase loans to low-income borrowers was near to the percentage of low-income families in the MN AA, which represents good performance. The percentage of Bremer's loans to moderate-income borrowers during the evaluation period exceeded the percentage of moderate-income families which is considered excellent.

### **Refinance Loans**

Bremer's distribution of refinance loans to borrowers of different income levels is good.

Throughout the evaluation period, the percentage of Bremer's refinance loans to low-income borrowers was lower than the percentage of low-income families in the AA which demonstrated poor performance. However, our assessment of performance improves to adequate in light of the level of families below the poverty level in the AA.

Bremer's performance of home refinance to moderate-income borrowers is good. The percentage of Bremer's refinance loans in the MN AA for 2001-2002 was near to the percentage of moderate-income borrowers and considered good. Refinance lending performance to moderate-income borrowers during 2003 was excellent as the percentage of loans exceeded the area's demographics.

### **Small Loans to Businesses**

Refer to Table 11 in appendix D for the facts and data used to evaluate the borrower distribution of the bank's origination and purchase of small loans to businesses.

The distribution of borrowers in the MN AA reflects excellent penetration among business customers with revenues of less than \$1 million. Throughout the evaluation period, the percentage of Bremer's small loans to businesses exceeded the percentage of businesses in the MN AA in the same revenue category. In addition, Bremer's market share of loans to small businesses significantly exceeded its overall lending market share throughout the evaluation period.

### **Small Loans to Farms**

Refer to Table 12 in appendix D for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to farms.

The distribution of small loans to farms in the MN AA reflects excellent penetration among farm customers of different sizes.

Throughout the evaluation period, the percentage of Bremer's small loans to farms (those with revenues of \$1 million or less) exceeded the percentage of farms in the MN AA. In addition, Bremer's market share of small loans to farms exceeded its overall lending market share throughout the evaluation period.

### **Community Development Lending**

Refer to Table 1 Lending Volume in appendix D for the facts and data used to evaluate the bank's level of community development lending.

Bremer originated eight community development loans totaling \$4,090,763 over the evaluation period. The community development loans were responsive to assessment area needs in that they promoted economic development and provided social services to low- and moderate-income individuals.

### **Product Innovation and Flexibility**

The bank provides two types of flexible lending programs to benefit low- and moderate-income borrowers. The bank works in conjunction with the MN Housing Finance Agency First Time Home Buyers program to provide low-interest financing for low- and moderate-income borrowers who are purchasing their first home. From 2002-2004, the bank generated 136 loans for approximately \$13 million through this program. The bank also provides financing in conjunction with Farm Service Agency for family farm owner/operators who do not qualify for standard loans. These loans benefit low-income farmers and those experiencing financial distress. As of December 2004, the bank has originated over \$6 million in loans through this program.

### **INVESTMENT TEST**

Refer to Table 14 in appendix D for the facts and data used to evaluate the bank's level of qualified investments.

The bank's performance under the investment test in the MN AA is rated Outstanding. Qualified investments are numerous and responsive to the identified needs of the AA. None of the investments are considered innovative or complex, and all are routinely provided by private investors.

Bremer's level of investments is considered excellent given the bank's capacity and available investment opportunities. Bremer provided 39 qualified grants and donations totaling \$885,000 inside the MN AA, which represents 2.37% of the bank's Tier 1 capital allocated to this AA. In addition, the bank has additional investments totaling \$402,000 that benefit the broader regional area of greater Minnesota/North Dakota and that have the potential to benefit the AA. As we were unable to determine the actual effect these broader regional investments had on the AA, they were given less weight in our analysis.

Sixty-four percent of the donations (by dollar) funded organizations that provide social services to low-and moderate-income (LMI) individuals. Another 28% benefited organizations that promote affordable housing for LMI individuals. The remaining 6% provided funding to economic development.

## **SERVICE TEST**

Refer to Table 15 of appendix D for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings. We performed our analysis using the 2000 census data.

The bank's performance under the service test in Minnesota is rated High Satisfactory.

### **Retail Banking Services**

- Bremer's service delivery systems are accessible to individuals of different income levels. The bank operates seven offices within the AA. The main bank and all six branch locations are located in middle-income CTs. In addition, the bank has six deposit-taking ATM's and nine cash only ATM's all located in middle-income CTs. An analysis of the geographic distribution of the bank's offices relative to the populations of low- and moderate-income individuals in the AA shows that branch offices are readily accessible to these individuals. Bremer did not open or close any branch offices during the evaluation period.
- Bremer's business hours are reasonable and its services do not vary in a way that inconveniences its AA, particularly low- and moderate-income individuals. Bremer offers a wide variety of standard banking products and services to meet the needs of the AA. Two of the branch locations (Alexandria South and Brandon) offer Saturday lobby hours for the customer's convenience. The other branch locations offer drive-up Saturday hours.

- The alternative delivery systems the bank offers include bank-by-mail, automated teller machines, internet banking and telephone banking. Because Bremer does not maintain information on how the alternative delivery systems impact low- and moderate-income individuals, we did not place significant weight on these systems for this evaluation.

## **Community Development Services**

- Bremer's community development services are considered good. Through its services, the bank works on a variety of community development issues. The bank participates in the Family Assets for Independence in Minnesota (FAIM) program, which matches savings to assist low-wage workers in Minnesota to build assets to be used toward purchasing a home, pursuing educational opportunities, or beginning a small business.
- Bremer is collaborating with the Otto Bremer Foundation to fund a part-time Nonprofit Resource Specialist position in Alexandria. This person works with non-profit organizations in Alexandria and surrounding communities to provide training, education and career building opportunities. The organizations benefiting from this position are largely comprised of low-income and disadvantaged persons.
- Bank employees are involved in non-profit organizations that assist LMI individuals in obtaining jobs and organizations that match adult mentors with at-risk LMI youth. Employees also serve on Boards of Directors of local organizations such as Habitat for Humanity.
- Bremer's community development services also include accounts or services that increase access to financial services for low- and moderate-income individuals. Specifically, they offer free government check cashing for both customers and non-customers.

## State Rating

### State of North Dakota

**CRA Rating for North Dakota<sup>2</sup>: Satisfactory**  
**The lending test is rated: High Satisfactory**  
**The investment test is rated: Outstanding**  
**The service test is rated: Low Satisfactory**

The major factors that support this rating are itemized below.

- In the ND AA, Bremer demonstrated excellent lending activity for loans to small businesses and small farms. Lending activity for home mortgage loans is adequate.
- Bremer provides a significant level of qualified investments and provides good responsiveness to credit and community development needs.
- Bremer's service delivery systems are reasonably accessible and the bank provides convenient services.

### Description of Institution's Operations in North Dakota

Bremer has one branch and one ATM located in Wahpeton, North Dakota. Wahpeton is located in Richland County, which makes up the entire North Dakota AA (ND AA). With 3% of Bremer's deposits originating in the ND AA, Bremer ranks seventh out of eight financial institutions with offices in this area. The bank offers a variety of loan products, with an emphasis on commercial lending.

Refer to the market profiles in appendix C for detailed demographics and other performance context information.

### LENDING TEST

The bank's performance under the lending test in the ND AA is rated High Satisfactory. Based on a full-scope review, the bank's performance in the ND AA is good. Refer to Table 1 in appendix D for the facts and data used to evaluate the bank's lending activity.

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<sup>2</sup> For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation does not reflect performance in the parts of this state contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

## **Lending Activity**

Lending levels reflect good responsiveness in relation to credit needs and the bank's deposit market share. Bremer's lending activity was strongest for small loans to businesses, with 55% by number of total reportable loans, however home mortgage loans are also considered a significant product with 30% by number of total reportable loans.

Bremer originated 84 reportable small loans to businesses totaling \$7 million in the ND AA in 2003. This represents a 13.82% market share and ranked fourth among the 21 financial institutions that reported business loans.

Bremer originated 32 reportable small loans to farms totaling \$2 million in the ND AA in 2003. This represents a third place market share, representing 7.88% of the AA's small farm loans.

For the Lending Test, we gave the greatest weight to Bremer's performance for small loans to businesses. Of the bank's loan originations during the evaluation period, 55% by number and 60% by dollar were small loans to businesses. Of the bank's loan originations, home mortgage loans represented 30% by number and 27% by dollar, and small loans to farms represented 14% by number and 13% by dollar.

For the home mortgage loan analysis, we gave the most weight to home mortgage refinance loans, which represented 72% by number and 70% by dollar of all of Bremer's home mortgage loans.

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

An analysis of the geographic distribution of loans in the AA is not meaningful, and therefore was not included in our analysis. There were no CTs designated low-income during the evaluation period. In addition, there were no census tracts designated moderate-income for the 2001-2002 timeframe, however, there were two moderate-income CTs according to the 2000 census demographics. These two CTs contain less than 1% of the total AA population. In addition, small businesses in these tracts represented less than 1% of all businesses in the AA and small farms totaled slightly over 1% in the AA in 2003.

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

### **Home Mortgage Loans**

Refer to Tables 8 and 10 in appendix D for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

Borrower distribution of home mortgage loans in the ND AA reflects adequate penetration among loan customers of different income levels.

## **Home Purchase Loans**

Bremer's distribution of home purchase loans to borrowers of different income levels is adequate.

For lending to low-income borrowers during the entire evaluation period, the percentage of Bremer's home purchase loans to such borrowers is somewhat lower than the area demographics and considered adequate.

For lending to moderate-income borrowers during 2001-2002, the percentage of Bremer's home purchase loans to such borrowers is lower than the percentage of moderate-income families and considered poor. For 2003, the percentage of loans to moderate-income families exceeded the demographics and is considered excellent.

## **Refinance Loans**

Bremer's distribution of refinance loans to borrowers of different income levels is adequate.

For lending to low-income borrowers during 2001-2002, the percentage of Bremer's refinance loans to such borrowers was considered excellent. However, for 2003, the percentages of bank loans to low-income borrowers were significantly lower than the demographics and considered very poor. Considering the poverty levels in the AA, overall distribution of refinance loans to low-income borrowers is considered good.

For lending to moderate-income borrowers during the entire evaluation period, the percentage of Bremer's refinance loans to such borrowers was significantly below the percentage of moderate-income families and considered very poor.

## **Small Loans to Businesses**

Refer to Table 11 in appendix D for the facts and data used to evaluate the borrower distribution of the bank's origination and purchase of small loans to businesses.

The distribution of borrowers in the ND AA reflects excellent penetration among business customers with revenues of less than \$1 million. Throughout the evaluation period, the percentage of Bremer's loans to small businesses exceeded the percentage of businesses in the ND AA in the same revenue category. In addition, Bremer's market share of small loans to businesses significantly exceeded its overall lending market share throughout the evaluation period.

## **Small Loans to Farms**

Refer to Table 12 of appendix D for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

The distribution of borrowers in the ND AA reflects excellent penetration among farm customers of different sizes.

Throughout the evaluation period, the percentage of Bremer's small loans to farms (those with revenues of \$1 million or less) exceeded the percentage of farms in the ND AA with similar revenues. In addition, Bremer's market share of small loans to farms exceeded its overall lending market share throughout the evaluation period.

### **Community Development Lending**

Refer to Table 1 of appendix D for the facts and data used to evaluate the bank's level of community development lending.

Bremer originated one community development loan totaling \$1,836,000 over the evaluation period. The community development loan was responsive to assessment area needs in that it promoted economic development and provided social services to low- and moderate-income individuals.

### **INVESTMENT TEST**

Refer to Table 14 of appendix D for the facts and data used to evaluate the bank's level of qualified investments.

The bank's performance under the investment test in North Dakota is rated Outstanding. Qualified investments in the AA are responsive to the identified needs of the AA. None of the investments are considered innovative or complex, and all are routinely provided by private investors.

Bremer's level of investments is considered excellent given the bank's capacity and available investment opportunities. Qualifying investments in the ND AA total \$26,000 which represents 2.26% of the bank's Tier 1 capital allocated to this AA. In addition, the bank has additional investments totaling \$402,000 that benefit the broader regional area of Minnesota/North Dakota that have the potential to benefit the ND AA. As we were unable to determine the actual effect these broader regional investments had on the AA, they were given less weight in our analysis.

### **SERVICE TEST**

Refer to Table 15 of appendix D for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings. We performed our analysis using the 2000 census data.

The bank's performance under the service test in North Dakota is rated Low Satisfactory.

## **Retail Banking Services**

- Bremer's service delivery systems are accessible to individuals of different income levels. The bank operates one office within the AA located at the Econofoods store in Wahpeton. The branch is located in an upper-income census tract. In addition, the bank has one deposit-taking ATM. Bremer did not open or close any branch offices during the evaluation period.
- Bremer's business hours are reasonable and its services do not vary in a way that inconveniences its AA, particularly low- and moderate-income individuals. Bremer offers a wide variety of standard banking products and services to meet the needs of the AA. The branch offers Saturday lobby hours for its customer's convenience.
- The alternative delivery systems the bank offers include bank-by-mail, automated teller machines, internet banking and telephone banking. Because Bremer does not maintain information on how the alternative delivery systems impact low- and moderate-income individuals, we did not place significant weight on these systems for this evaluation.

## **Community Development Services**

- Bremer's community development services are considered adequate. Through its services, the bank works on a variety of community development issues. Bank employees are involved in non-profit organizations that assist LMI individuals in obtaining jobs and organizations that match adult mentors with at-risk LMI youth. Employees also serve on Boards of Directors of local organizations such as Habitat for Humanity.
- Bremer's community development services also include accounts or services that increase access to financial services for low- and moderate-income individuals. Specifically, they offer free government check cashing for both customers and non-customers.

## Appendix A: Scope of Examination

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 metropolitan and non-metropolitan areas 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>	Lending Test (excludes CD loans): (01/01/2001 to 12/31/2003) Investment and Service Tests and CD Loans: (01/01/2001 to 12/31/2004)	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Bremer Bank, National Association (Bremer) Alexandria, Minnesota	Home Mortgage, Small Business, Small Farm and Community Development Loans Qualified Investments	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
<i>Bremer Financial Corporation (BFC)</i>	Parent of Bremer	None
<i>Otto Bremer Foundation (OBF)</i>	Holding Company	CD Investments
<i>Bremer Financial Services, Inc.</i>	Affiliate	ATM's
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
State of Minnesota Alexandria AA	Full Scope	
State of North Dakota Wahpeton AA	Full Scope	

## Appendix B: Summary of Multistate Metropolitan Area and State Ratings

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RATINGS		BANK NAME		
Overall Bank:	Lending Test Rating*	Investment Test Rating	Service Test Rating	Overall Bank/State Rating
Bremer Bank, National Association	High Satisfactory	Outstanding	High Satisfactory	Satisfactory
State				
Minnesota	High Satisfactory	Outstanding	High Satisfactory	Satisfactory
North Dakota	High Satisfactory	Outstanding	Low Satisfactory	Satisfactory

(\*) The lending test is weighted more heavily than the investment and service tests in the overall rating.

(\*\*) Performance in the State of Minnesota is weighted more heavily than performance in the State of North Dakota.

# Appendix C: Market Profiles for Full-Scope Areas

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## Table of Contents

### Market Profiles for Areas Receiving Full-Scope Reviews

STATE OF MINNESOTA ALEXANDRIA ASSESSMENT AREA .....C-2

STATE OF NORTH DAKOTA WAHPETON ASSESSMENT AREA .....C-3

# State of Minnesota

## Alexandria Assessment Area

### AlexMN1990

Demographic Information for Full Scope Area: AlexMN1990						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	39	0.00	7.69	89.74	2.56	0.00
Population by Geography	118,992	0.00	7.31	89.36	3.33	0.00
Owner-Occupied Housing by Geography	34,742	0.00	7.71	88.75	3.54	0.00
Business by Geography	9,397	0.00	5.13	93.30	1.57	0.00
Farms by Geography	2,272	0.00	9.24	90.40	0.35	0.00
Family Distribution by Income Level	32,415	20.93	20.53	25.44	33.11	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	13,437	0.00	9.99	88.17	1.84	0.00
Median Family Income HUD Adjusted Median Family Income for 2002 Households Below Poverty Level		28,933 48,500 14.41%	Median Housing Value Unemployment Rate (1990 US Census)		47,512 2.78%	

(\* ) The NA category consists of geographies that have not been assigned an income classification.  
Source: 1990 US Census and 2002 HUD updated MFI

### AlexMN2000

Demographic Information for Full Scope Area: AlexMN2000						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	37	0.00	2.70	97.30	0.00	0.00
Population by Geography	128,830	0.00	1.33	98.67	0.00	0.00
Owner-Occupied Housing by Geography	40,345	0.00	1.31	98.69	0.00	0.00
Business by Geography	9,409	0.00	1.24	98.76	0.00	0.00
Farms by Geography	2,286	0.00	2.23	97.77	0.00	0.00
Family Distribution by Income Level	35,171	18.57	20.51	26.12	34.81	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	13,742	0.00	1.72	98.28	0.00	0.00
Median Family Income HUD Adjusted Median Family Income for 2002 Households Below Poverty Level		46,129 48,500 10.13%	Median Housing Value Unemployment Rate (1990 US Census)		86,981 2.52%	

(\* ) The NA category consists of geographies that have not been assigned an income classification.  
Source: 1990 US Census and 2002 HUD updated MFI

State of North Dakota

Wahpeton Assessment Area

AlexND1990

Demographic Information for Full Scope Area: AlexND1990						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	7	0.00	0.00	57.14	42.86	0.00
Population by Geography	18,148	0.00	0.00	51.81	48.19	0.00
Owner-Occupied Housing by Geography	4,489	0.00	0.00	57.94	42.06	0.00
Business by Geography	1,293	0.00	0.00	65.20	34.80	0.00
Farms by Geography	381	0.00	0.00	55.12	44.88	0.00
Family Distribution by Income Level	4,599	15.20	15.24	23.64	45.92	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	1,400	0.00	0.00	60.64	39.36	0.00
Median Family Income		26,194	Median Housing Value		36,698	
HUD Adjusted Median Family Income for 2002		41,700	Unemployment Rate (1990 US Census)		2.57%	
Households Below Poverty Level		16.63%				

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 1990 US Census and 2002 HUD updated MFI

Institution ID: BREMER BANK, NA (ALEXANDRIA)

AlexND2000

Demographic Information for Full Scope Area: AlexND2000						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	8	0.00	25.00	37.50	37.50	0.00
Population by Geography	17,998	0.00	0.45	65.82	33.73	0.00
Owner-Occupied Housing by Geography	4,787	0.00	0.50	58.72	40.78	0.00
Business by Geography	1,311	0.00	0.38	68.65	30.97	0.00
Farms by Geography	373	0.00	1.34	36.46	62.20	0.00
Family Distribution by Income Level	4,397	12.64	14.06	27.06	46.24	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	1,174	0.00	0.94	69.68	29.39	0.00
Median Family Income		39,651	Median Housing Value		53,674	
HUD Adjusted Median Family Income for 2002		41,700	Unemployment Rate (1990 US Census)		2.50%	
Households Below Poverty Level		13.85%				

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 1990 US Census and 2002 HUD updated MFI

## Appendix D: Tables of Performance Data

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### Content of Standardized Tables

All areas 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: purchased loans are treated as originations/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MA/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 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MA/assessment area. Community development loans to statewide or regional entities or made outside the bank’s assessment area may receive positive CRA consideration. Refer to Interagency Q&As 25.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans. When such loans exist, insert a line item with the appropriate caption, such as “Statewide/Regional” or “Out of Assessment Area,” in the MA/Assessment Area column and record the corresponding numbers and amounts in the “Community Development Loans” column.
- Table 1. Other Products** - Presents the number and dollar amount of any unreported category of loans originated and purchased by the bank, if applicable, over the evaluation period by MA/assessment area. Examples include consumer loans or other data that a bank may provide, at its option, concerning its lending performance. This is a two-page table that lists specific categories.
- Table 2. Geographic Distribution of Home Purchase Loans** - 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 market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Home Mortgage Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Multifamily Loans** - Compares the percentage distribution of the number of multifamily loans originated and

purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of multifamily housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.

- Table 6.** Geographic Distribution of Small Loans to Businesses - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses 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) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 7.** **Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 8.** **Borrower Distribution of Home Purchase Loans** - 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 MA/assessment area. The table also presents market share information based on the most recent aggregate market data available.
- Table 9.** **Borrower Distribution of Home Improvement Loans** - See Table 8.
- Table 10.** **Borrower Distribution of Refinance Loans** - See Table 8.
- Table 11.** **Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.

**Table 12. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.

**Table 13. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL)** - For geographic distribution, the table 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 within each geography. For borrower distribution, the table 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 of households by income level in each MA/assessment area.

**Table 14. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior-period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank’s financial reporting system.

A bank may receive positive consideration for qualified investments in statewide/regional entities or made outside of the bank’s assessment area. See Interagency Q&As 25.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such investments. When such investments exist, insert a line item with the appropriate caption, such as “Statewide/Regional” or “Out of Assessment Area,” in the MA/Assessment Area column and record the corresponding numbers and amounts in the “Qualified Investments” column.

**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings** - Compares the percentage distribution of the number of the bank’s branches in low-, moderate-, middle-, and upper-income geographies to the percentage of the population within each geography in each MA/AA. The table also presents data on branch openings and closings in each MA/AA.

**Table 1. Lending Volume**

LENDING VOLUME		Geography: Bremer Alexandria						Evaluation Period: January 1, 2001-December 31, 2003				
MA/Assessment Area:	% of Rated Area Loans (#) in MA/AA*	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MA/AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)	
<b>Full Review:</b>												
Alexandria MN 2001-2002	91.95	1,504	144,851	1,319	107,201	694	42,726	1	3,000	3,518	297,778	
Alexandria MN 2003	90.38	827	89,926	589	55,433	322	22,013	7	1,091	1,745	168,463	
Wahpeton ND 20012002	8.05	82	6,673	187	15,397	39	3,039	1	1,836	309	26,945	
Wahpeton ND 2003	9.62	69	5,004	84	6,999	32	1,771	0	0	185	13,774	

\* Loan Data as of 12/31/02 and 12/31/03. Rated area refers to either the state or multi-state MA rating area.

\*\* The evaluation period for Community Development Loans is *January 1, 2001 to December 31, 2004*

\*\*\* Deposit Data as of April 27, 2005. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

## Table 2. Geographic Distribution of Home Purchase Loans

Geographic Distribution: HOME PURCHASE			Geography: Bremer Alexandria				Evaluation Period: January 1, 2001 to December 31, 2003								
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Over all	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Alexandria MN 2001-2002	436	94.17	0.00	0.00	7.71	1.61	88.75	95.87	3.54	2.52					
Alexandria MN 2003	224	93.72	0.00	0.00	1.31	0.00	98.69	100.00	0.00	0.00					
Wahpeton ND 2001-2002	27	5.83	0.00	0.00	0.00	0.00	57.94	37.04	42.06	62.96					
Wahpeton ND 2003	15	6.28	0.00	0.00	0.50	0.00	58.72	40.00	40.78	60.00					

\* Based on 2002 and 2003 Peer Mortgage Data: Eastern Region.

\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by the number of owner occupied housing units in the area based on 1990 Census information for loans originated in 2001-2002 and 2000 Census information for loans originated in 2003.

### Table 3. Geographic Distribution of Home Improvement Loans

Geographic Distribution: HOME IMPROVEMENT		Geography: Bremer Alexandria						Evaluation Period: January 1, 2001 to December 31, 2003							
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total*	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Over all	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Alexandria MN 2001-2002	2	100.00	0.00	0.00	7.71	0.00	88.75	100.00	3.54	0.00					
Alexandria MN 2003	0	0.00	0.00	0.00	1.31	0.00	98.69	0.00	0.00	0.00					
Wahpeton ND 2001-2002	0	0.00	0.00	0.00	0.00	0.00	57.94	0.00	42.06	0.00					
Wahpeton ND 2003	0	0.00	0.00	0.00	0.50	0.00	58.72	0.00	40.78	0.00					

\* Based on 2002 and 2003 Peer Mortgage Data: Eastern Region.

\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 and 2000 Census information.

**Table 4. Geographic Distribution of Home Mortgage Refinance Loans**

Geographic Distribution: HOME MORTGAGE REFINANCE											Geography: Bremer Alexandria					Evaluation Period: January 1, 2001 to December 31, 2003				
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*									
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Over all	Low	Mod	Mid	Upp					
<b>Full Review:</b>																				
Alexandria MN 2001-2002	1,061	95.16	0.00	0.00	7.71	1.70	88.75	96.42	3.54	1.89										
Alexandria MN 2003	603	91.78	0.00	0.00	1.31	0.00	98.69	100.00	0.00	0.00										
Wahpeton ND 2001-2002	54	4.84	0.00	0.00	0.00	0.00	57.94	40.74	42.06	59.26										
Wahpeton ND 2003	54	8.22	0.00	0.00	0.50	0.00	58.72	72.22	40.78	27.78										

\* Based on 2002 and 2003 Peer Mortgage Data: Eastern Region.

\*\* Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information for loans originated in 2001-2002 and 2000 Census information for loans originated in 2003.

## Table 5. Geographic Distribution of Multifamily Loans

Geographic Distribution: MULTIFAMILY		Geography: Bremer Alexandria						Evaluation Period: January 1, 2001 to December 31, 2003							
MA/Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% of MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	Over all	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Alexandria MN 2001-2002	5	83.33	0.00	0.00	2.66	0.00	93.91	100.00	3.43	0.00					
Alexandria MN 2003	0	0.00	0.00	0.00	0.61	0.00	99.39	0.00	0.00	0.00					
Wahpeton ND 2001-2002	1	16.67	0.00	0.00	0.00	0.00	47.73	0.00	52.27	100.00					
Wahpeton ND 2003	0	0.00	0.00	0.00	0.00	0.00	93.56	0.00	6.44	0.00					

\* Based on 2002 and 2003 Peer Mortgage Data: Eastern Region.

\*\* Multifamily loans originated and purchased in the MA/AA as a percentage of all multifamily loans originated and purchased in the rated area.

\*\*\* Percentage of multifamily units is the number of multifamily housing units in a particular geography divided by number of multifamily housing units in the area based on 1990 Census information for loans originated in 2001-2002 and 2000 Census information for loans originated in 2003.

### Table 6. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: SMALL LOANS TO BUSINESSES												Geography: Bremer Alexandria		Evaluation Period: January 1, 2001 to December 31, 2003		
MA/Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*					
	#	% of Total*	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	Overall	Low	Mod	Mid	Upp	
<b>Full Review:</b>																
Alexandria MN 2001-2002	1,319	87.58	0.00	0.00	5.13	0.91	93.30	98.18	1.57	0.91	16.14	0.00	4.64	19.02	8.60	
Alexandria MN 2003	589	87.52	0.00	0.00	1.24	0.00	98.76	100.00	0.00	0.00	14.38	0.00	0.00	15.67	0.00	
Wahpeton ND 2001-2002	187	12.42	0.00	0.00	0.00	0.00	65.20	44.92	34.80	55.08	15.91	0.00	0.00	12.32	21.90	
Wahpeton ND 2003	84	12.48	0.00	0.00	0.38	0.00	68.65	80.95	30.97	19.05	13.82	0.00	0.00	20.00	7.24	

### Table 7. Geographic Distribution of Small Loans to Farms

Geographic Distribution: SMALL LOANS TO FARMS												Geography: Bremer Alexandria		Evaluation Period: January 1, 2001 to December 31, 2003		
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\* Based on 2002 and 2003 Peer Small Business Data: US.

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Source Data - Dun and Bradstreet (2002 and 2003).

MA/Assessment Area:	Total Small Farm Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Alexandria MN 2001-2002	694	94.68	0.00	0.00	9.24	2.31	90.40	97.12	0.35	0.58	36.33	0.00	14.29	38.25	10.53
Alexandria MN 2003	322	90.96	0.00	0.00	2.23	0.62	97.77	99.38	0.00	0.00	35.50	0.00	8.70	36.82	0.00
Wahpeton ND 2001-2002	39	5.32	0.00	0.00	0.00	0.00	55.12	43.59	44.88	56.41	5.99	0.00	0.00	5.56	6.52
Wahpeton ND 2003	32	9.04	0.00	0.00	1.34	0.00	36.46	34.38	62.20	65.63	7.88	0.00	0.00	6.75	9.09

\* Based on 2002 and 2003 Peer Small Business Data: US.

\*\* Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

\*\*\* Source Data - Dun and Bradstreet (2002 and 2003r).

**Table 8. Borrower Distribution of Home Purchase Loans**

Borrower Distribution: HOME PURCHASE			Geography: Bremer Alexandria						Evaluation Period: January 1, 2001 to December 31, 2003						
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*				
	#	% of Total*	% Families**	% BANK Loans**	% Families**	% BANK Loans****	% Families*	% BANK Loans****	% Families*	% BANK Loans****	Over all	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Alexandria MN 2001-2002	436	94.17	20.93	12.21	20.53	24.88	25.44	25.81	33.11	37.10	0.00	0.00	0.00	0.00	0.00
Alexandria MN 2003	224	93.72	18.57	10.81	20.51	25.68	26.12	29.73	34.81	33.78	0.00	0.00	0.00	0.00	0.00
Wahpeton ND 2001-2002	27	5.83	15.20	7.41	15.24	7.41	23.64	37.04	45.92	48.15	0.00	0.00	0.00	0.00	0.00
Wahpeton ND 2003	15	6.28	12.64	6.67	14.06	26.67	27.06	40.00	46.24	26.67	0.00	0.00	0.00	0.00	0.00

\* Based on 2002 and 2003 Peer Mortgage Data: Eastern Region.

\*\* As a percentage of loans with borrower income information available. No information was available for .8% (2002) and .4% (2003) of loans originated and purchased by Bank.

\*\*\* Percentage of Families is based on the 1990 Census information for loans originated in 2001-2002 and 2000 Census information for loans originated in 2003.

\*\*\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

### Table 9. Borrower Distribution of Home Improvement Loans

Borrower Distribution: HOME IMPROVEMENT			Geography: Bremer Alexandria						Evaluation Period: January 1, 2001 to December 31, 2003						
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*				
	#	% of Total**	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	Over all	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Alexandria MN 2001-2002	2	100.00	20.93	0.00	20.53	0.00	25.44	50.00	33.11	50.00	0.00	0.00	0.00	0.00	0.00
Alexandria MN 2003	0	0.00	18.57	0.00	20.51	0.00	26.12	0.00	34.81	0.00	0.00	0.00	0.00	0.00	0.00
Wahpeton ND 2001-2002	0	0.00	15.20	0.00	15.24	0.00	23.64	0.00	45.92	0.00	0.00	0.00	0.00	0.00	0.00
Wahpeton ND 2003	0	0.00	12.64	0.00	14.06	0.00	27.06	0.00	46.24	0.00	0.00	0.00	0.00	0.00	0.00

### Table 10. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: HOME MORTGAGE REFINANCE			Geography: Bremer Alexandria						Evaluation Period: January 1, 2001 to December 31, 2003					
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\* Based on 2002 and 2003 Peer Mortgage Data: Eastern Region.

\*\* As a percentage of loans with borrower income information available. No information was available for 0.0% of loans originated and purchased by Bank.

\*\*\* Percentage of Families is based on the 1990 Census information for loans originated in 2001-2002 and 2000 Census information for loans originated in 2003.

\*\*\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*				
	#	% of Total**	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	Over all	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Alexandria MN 2001-2002	1,061	95.16	20.93	6.07	20.53	18.02	25.44	33.04	33.11	42.87	0.00	0.00	0.00	0.00	0.00
Alexandria MN 2003	603	91.78	18.57	6.71	20.51	22.15	26.12	25.84	34.81	45.30	0.00	0.00	0.00	0.00	0.00
Wahpeton ND 2001-2002	54	4.84	15.20	11.54	15.24	5.77	23.64	19.23	45.92	63.46	0.00	0.00	0.00	0.00	0.00
Wahpeton ND 2003	54	8.22	12.64	1.96	14.06	5.88	27.06	27.45	46.24	64.71	0.00	0.00	0.00	0.00	0.00

**Table 11. Borrower Distribution of Small Loans to Businesses**

Borrower Distribution: SMALL LOANS TO BUSINESSES		Geography: Bremer Brainerd		Evaluation Period: January 1, 2001 to December 31, 2003		
	Total Small Loans to Businesses	Businesses With Revenues of \$1 million or less	Loans by Original Amount Regardless of Business Size			Market Share*

\* Based on 2002 and 2003 Peer Mortgage Data: Eastern Region.

\*\* As a percentage of loans with borrower income information available. No information was available for 1.5% (2002) 2.2% (2003) of loans originated and purchased by Bank.

\*\*\* Percentage of Families is based on the 1990 Census information for loans originated in 2001-2002 and 2000 Census information for loans originated in 2003.

\*\*\*\* Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

MA/Assessment Area:	#	% of Total**	% of Businesses ***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev \$1 Million or Less
<b>Full Review:</b>									
Alexandria MN 2001-2002	1,319	87.58	72.42	75.21	79.30	13.42	7.28	16.14	31.43
Alexandria MN 2003	589	87.52	69.44	68.93	75.21	15.45	9.34	14.38	22.78
Wahpeton ND 2001-2002	187	12.42	70.53	72.19	83.42	11.23	5.35	15.91	23.05
Wahpeton ND 2003	84	12.48	63.08	83.33	82.14	10.71	7.14	13.82	20.41

## Table 12. Borrower Distribution of Small Loans to Farms

Borrower Distribution: SMALL LOANS TO FARMS		Geography: Bremer Alexandria		Evaluation Period: January 1, 2001 to December 31, 2003	
	Total Small Loans to Farms	Farms With Revenues of \$1 million or less	Loans by Original Amount Regardless of Farm Size		Market Share*

\* Based on 2002 and 2003 Peer Small Business Data: US.

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2002).

\*\*\*\* Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 0.73% (2002) 4.31% (2003) of small loans to businesses originated and purchased by the Bank.

\* Based on 2002 and 2003 Peer Small Business Data: US.

MA/Assessment Area:	#	% of Total**	% of Farms***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$500,000	All	Rev \$1 Million or Less
<b>Full Review:</b>									
Alexandria MN 2001-2002	694	94.68	96.83	96.69	82.42	15.56	2.02	36.33	38.20
Alexandria MN 2003	322	90.96	96.33	95.34	77.64	20.50	1.86	35.50	35.86
Wahpeton ND 2001-2002	39	5.32	97.38	97.44	76.92	15.38	7.69	5.99	6.20
Wahpeton ND 2003	32	9.04	95.98	100.00	87.50	9.38	3.13	7.88	8.31

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\*\* Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

\*\*\* Farms with revenues of \$1 million or less as a percentage of all farms (Source D&B - 2002).

\*\*\*\* Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms. No information was available for 1.09% (2002) and 2.54% (2003) of small loans to farms originated and purchased by Bank.

**Table 14. Qualified Investments**

QUALIFIED INVESTMENTS		Geography: BREMER ALEXANDRIA				Evaluation Period: January 1, 2001 to December 31, 2004			
MA/Assessment Area:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
<b>Full Review:</b>									
Alexandria MN AA	0	0	39	885	39	885	64.25%	0	0
Wahpeton ND AA	0	0	2	26	2	2	27.88%	0	0
Alexandria Regional	0	0	16	402	16	16	6.37%	0	0

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\* '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.

## Table 15. Distribution of Branch Delivery System and Branch Openings/Closings

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS Geography: Bremer Alexandria <b>Evaluation Period:</b> January 1, 2001 to December 31, 2004																	
MA/Assessment Area:	Deposits	Branches						Branch Openings/Closings						Population			
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
<b>Full Review:</b>																	
Alexandria MN 2001-2002	97.17%	7	87.50%	NA	0.00	100.00	0.00	0	0	0	0	0	0	0.00	7.31	89.36	3.33
Alexandria MN 2003	97.17%	7	87.50%	NA	0.00	100.00	0.00	0	0	0	0	0	0	0.00	1.33	98.67	0.00
Wahpeton ND 2001-2002	2.83%	1	12.50%	NA	NA	0.00	100.00	0	0	0	0	0	0	0.00	0.00	51.81	48.19
Wahpeton ND 2003	2.83%	1	12.50%	NA	0.00	0.00	100.00	0	0	0	0	0	0	0.00	0.45	65.82	33.73