

# Public Disclosure

April 17, 2000

## Community Reinvestment Act Performance Evaluation

National City Bank of Minneapolis  
Charter Number: 15295

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Minneapolis, Minnesota 55402

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**NOTE:** 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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## 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 CRA performance of **National City Bank of Minneapolis** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **April 17, 2000**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this Performance Evaluation. 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 by another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Block Numbering Area (BNA)** - Statistical subdivisions of counties in which census tracts have not been established. BNAs have been established by the United States Census Bureau in conjunction with state agencies.

**Census Tract (CT)** - Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten year census and an average population of 4,000.

**Community Development (CD)** - Affordable 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.

**Full-Scope Review** - Performance under the Lending, Investment and Service Tests is analyzed considering fully understood performance context, quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution) and qualitative factors (e.g., innovation, complexity).

**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 statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, withdrawn).

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

**Income Levels** - These relate to individuals, families, households, or the geography

**Low-Income** - Income levels that are less than 50% of the median family income.

**Moderate-Income** - Income levels that are at least 50% and less than 80% of the MFI.

**LMI** - And income level that is less than 80% of the median income.

**Middle-Income** - Income levels that are at least 80% and less than 120% of the MFI.

**Upper-Income** - Income levels that are 120% or more of the MFI.

**Limited-Scope Review** - Performance under the Lending, Investment and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution).

**Median Family Income (MFI)** - The median income determined by the United States 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 Statistical Area (MSA)** - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

**Poverty Level** - An income level that is less than 30% of the median income.

**Qualified Investment** - A lawful investment that has as its *primary* purpose community development.

**Small Business Loans** - Loans with original amounts of \$1 million or less that are: (1) secured by nonfarm nonresidential properties; or (2) commercial and industrial loans to U.S. addresses.

**Small Farm Loans** - Loans with original amounts of \$500 thousand or less that are: (1) secured by farmland; or (2) to finance agricultural production and other loans to farmers.

**Tier 1 Capital** - The total of common shareholders=equity, perpetual preferred shareholders=equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

## Overall CRA Rating

**Institution's CRA Rating:** This institution is rated **A Satisfactory**.

The following table indicates the performance level of **National City Bank of Minneapolis (NCB)** with respect to the Lending, Investment, and Service Tests:

Performance Levels	National City Bank of Minneapolis Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	<b>X</b>		
Low Satisfactory			<b>X</b>
Needs to Improve		<b>X</b>	
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:

- C NCB demonstrated a substantial commitment to address specific credit needs in its assessment area through an excellent level of community development lending. The bank originated eight community development loans totaling over \$22 million, which equals 34.4% of its Tier I capital.
- C Small business lending is adequate. Distribution of small business loans among borrowers of different income levels and geographic distribution of small business loans among census tracts of different income levels is adequate.
- C Home improvement lending is adequate. Distribution of home improvement loans among borrowers of different income levels and geographic distribution of home improvement loans among census tracts of different income levels is adequate.
- C Bank personnel provided an adequate level of community development services. Retail banking services are also adequate.
- C NCB's level of qualified investments demonstrates poor responsiveness to identified community needs. During the evaluation period, NCB made 155 qualified investments (all grants) totaling \$837,218. This equals only 1.3% of Tier I capital and 0.1% of total assets.

The bank previously attained a Satisfactory rating at its last CRA examination dated December 10, 1997.

## **Description of Institution**

NCB is located in downtown Minneapolis, Minnesota. As of December 31, 1999, the bank had total assets of \$843 million. In addition to its main office and a drive-through facility located in downtown Minneapolis, the bank has a suburban branch located in Edina, Minnesota. The bank owns eight proprietary automated teller machines (ATMs), all located on or near bank premises. NCB also has an agreement with U.S. Bank, N.A. allowing NCB customers free use of its Fastbank ATMs. Through an arrangement with seven of NCB's commercial customers, NCB has seven interactive banking sites located at those commercial facilities. Employees of those seven businesses have access to numerous banking services through an ATM and an interactive video screen. NCB is a full-service bank and offers a wide variety of products and services.

NCB is a subsidiary of National City Bancorporation (NCBC) located in Minneapolis. NCBC reported consolidated assets of \$1.14 billion as of December 31, 1999. In addition to the bank, NCBC owns an asset-based lending company with offices in Minneapolis and Milwaukee. Subsidiaries of NCBC, including NCB, provide funding to the National City Bank Foundation, a charitable organization. It is through this organization that NCB makes all of its qualified investments.

The bank has a trust department with \$2 billion of assets under management. NCB stopped offering residential mortgages in 1998; inquiries are referred to other mortgage lenders. The bank's primary focus is middle-market commercial customers, as well as the business owners and employees.

As of December 31, 1999, the bank's net loans and leases totaled \$534 million. This represents 63% of the bank's assets which is similar to other banks of this size in the national peer group. NCB's loan portfolio is comprised of 71% commercial and commercial real estate loans, 12% residential real estate loans, 11% consumer loans, and 8% other loans. Tier I capital during this period totaled \$64.4 million.

There are no legal, financial or other factors impeding the bank's ability to help meet the credit needs in its assessment area. There have not been any merger or acquisition activities during the evaluation period.

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

We examined NCB using the large bank test pursuant to the revised CRA regulation. The evaluation covers lending, investment, and service activities since the bank's previous CRA evaluation (December 10, 1997), except as shown below:

- C The bank's primary lending focus is middle-market commercial customers in the metropolitan area. The bank defines middle-market as those customers with annual sales between \$5 million and \$50 million. Therefore, we placed the most weight for the Lending Test on NCB's small business lending performance.
- C We used the period from January 1, 1997 to December 31, 1998 for our analysis of the bank's small business lending. Although the last CRA examination was completed in December 1997, we did not include 1997 small business loan data in that evaluation.
- C The only real estate loan product we reviewed was the home improvement product. NCB originates about 50% of its reported home improvement loans and purchases the remainder from local contractors or home improvement specialists. The bank originates very few home purchase or refinance loans.
- C We used the period from January 1, 1998 to December 31, 1998 for analysis of the bank's home improvement lending. The last examination included real estate loans through August 31, 1997. We excluded home improvement loans originated between September 1, 1997 and December 31, 1997 at this examination to limit our analysis to a one full year of data. This exclusion did not have an impact on NCB's overall CRA rating.
- C Market analysis comparisons of both small business and home improvement lending is based on 1998 aggregate loan data.
- C We included community development loans originated from January 1, 1998 to December 31, 1999 in this evaluation.
- C We used the period from September 1, 1997 to December 31, 1999 for evaluating the bank's performance under the Investment and Service Tests.

### Data Integrity

The bank is not in compliance with regulatory requirements regarding accurate reporting of specific small business information. We performed data integrity testing in May 1999, August 1999, November 1999, and April 2000. At each review, we found that the CRA data was inaccurate, mainly due to errors in coding loan purpose, annual revenues, and geographic location. Management conducted a comprehensive file review in April 2000 to correct the data. With the exception of the geographic location coding, all data was accurate and we used the corrected

data in this evaluation. To assess NCB's geographic distribution for small business loans, we relied on our statistical sampling rather than the bank's reporting.

## **Fair Lending Review**

Examiners found no instances of illegal discrimination or discouragement in our concurrent fair lending review. Our findings are based on a review of the bank's lending policies, underwriting guidelines, and a sample of 10 diverse loans representing five loan products. The evaluation also included a review for the technical aspects of compliance with the Equal Credit Opportunities Act.

## Conclusions with Respect to Performance Tests

### LENDING TEST

The bank's performance under the Lending Test is rated **A**High Satisfactory.<sup>@</sup> Community development lending levels are excellent and directly address specific assessment area credit needs. Home improvement and small business lending levels are adequately responsive to identified credit needs. Geographic distribution of loans among census tracts of different income levels and distribution of loans by the income level of the borrower are also adequate.

#### Lending Activity

NCB's lending levels reflect adequate responsiveness to identified home improvement and small business credit needs. The bank originated or purchased the following loan volumes in the assessment area during the evaluation period:

- C 206 home improvement loans totaling \$5.2 million. This represents 1% of all reported home improvement loans in the assessment area, ranking 19th among 224 lenders.
- C 257 small business loans totaling \$54.5 million. This represents 1% of all reported small business loans in the assessment area, ranking 16th among 156 lenders.

Competition for lending market share is strong. Two regional banks and their affiliates dominate the market with combined market shares of 30% in home improvement lending and 43% in small business lending.

NCB's lending market share for home improvement and small business loans is slightly below its deposit market share. The bank has a 2.04% deposit market share in the assessment area, ranking fifth among 55 banks and savings associations with offices located in the assessment area.

Refer to Table 1 in Appendix C for the data that shows all loan originations during the evaluation period.

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

Distribution of loans among census tracts of different income levels is adequate based on adequate performance in both home improvement and small business lending.

## ***Home Mortgage Loans***

NCB's origination of home improvement loans in low-income census tracts is adequate. The bank originated 1% of its home improvement loans in low-income census tracts, which contain 2% of the assessment area's owner-occupied housing units. NCB's origination of home improvement loans in moderate-income census tracts is good. The bank originated 8% of its home improvement loans in moderate-income census tracts, which contain 10% of the assessment area's owner-occupied housing units.

The bank ranks 19th among 224 lenders in originating home improvement loans. Its overall market share of 1% is above its market share in low-income census tracts (0%) and equal to its market share in moderate-income census tracts (1%).

Substantially all of the bank's home improvement loans (99% by number and by dollar volume) were originated within the assessment area.

A lending gap analysis showed no inexplicable gaps in the bank's lending. NCB originated home improvement loans in 146 of the 606 (24%) assessment area census tracts. These tracts contain 32% of the owner-occupied housing units in the assessment area. As expected, most (54%) of NCB's home improvement loan originations are located in Hennepin County, which contains all of the bank's branch locations. Loans in other counties in the assessment area were in a random pattern and did not indicate specific lending gaps. Home improvement lending is not the bank's primary lending focus.

## ***Small Business Loans***

Overall, the distribution of small business loans among census tracts of different income levels is adequate. Based on our data integrity sample, NCB originated 5% of its small business loans in low-income census tracts and 2% of its small business loans in moderate-income census tracts during the evaluation period. Bank performance is good for low-income census tracts and poor for moderate-income census tracts -- 5% of small businesses are located in low-income census tracts and 10% of small businesses are located in moderate-income census tracts.

NCB's geographic distribution of small business loans is slightly above the performance of the overall market for low-income census tracts and well below the performance of the overall market for moderate-income census tracts. All assessment area lenders combined originated 4% of their small business loans in low-income census tracts and 8% of their small business loans in moderate-income census tracts. Lending performance of all other banks in the assessment area generally approximates community demographics.

A substantial majority of the bank's small business loans (82% by number and 90% by dollar volume) were originated in the assessment area.

A lending gap analysis showed no inexplicable gaps in the bank's lending. As expected, most (79%) of NCB's small business loan originations are located in Hennepin County. This is in close proximity to all branch locations and is consistent with the bank's medium-size business market niche. Loans in other counties in the assessment area were in a random pattern and did not indicate specific lending gaps.

Refer to Tables 3 and 5 in Appendix C for the facts and data used to illustrate the geographic distribution of the bank's home improvement and small business loan originations.

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

Distribution of loans to borrowers of different income levels and to businesses of different sizes is adequate based on adequate performance in both home improvement and small business lending.

#### ***Home Mortgage Loans***

NCB's performance in home improvement lending to low-income borrowers is poor. The percentage of the bank's home improvement loans (7%) originated to low-income borrowers is well below assessment area demographics (16%).

NCB's performance in home improvement lending to moderate-income borrowers is good. The percentage of the bank's home improvement loans (14%) originated to moderate-income borrowers substantially approximates the percentage of moderate-income families in the assessment area (18%).

The bank ranks 19th among 224 lenders in originating home improvement loans. Its overall market share of 1% approximates its market share to both low- and moderate-income applicants.

Refer to Table 8 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations.

#### ***Small Business Loans***

NCB's distribution of loans to businesses of different sizes is adequate. The bank originated 49% of its reported business loans in the assessment area to entities with gross annual revenues of \$1 million or less. This performance exceeds the overall market performance of 42%. However, both NCB and the combined

market lenders are well below assessment area demographics -- 86% of businesses with known revenues have gross annual revenues of \$1 million or less.

Of banks subject to CRA data reporting, NCB ranked 16th among 156 lenders in originating small business loans to businesses with revenues of \$1 million or less. This represents a 1% market share. NCB's market share percentage for lending to businesses with revenues of \$1 million or less equals its market share percentage for lending to small businesses with revenues of any size (1%).

Loan size distribution for NCB is poor in comparison with that of combined market lenders. NCB made 51% of its small business loans in amounts of \$100 thousand or less, with an average loan size of \$212 thousand. In aggregate, all market lenders made 86% of their small business loans in amounts of \$100 thousand or less, with an average loan size of \$71 thousand.

Refer to Table 10 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's small business loan originations.

### **Community Development Lending**

NCB has demonstrated a substantial commitment to its assessment area through an excellent level of community development lending. The bank originated eight qualifying community development loans, most of which directly address the identified assessment area need for affordable, rehabilitated, multi-family housing. Much of this housing is located in the economically distressed neighborhoods of South Minneapolis.

NCB's eight community development loans total over \$22 million, which equals 34.4% of its Tier I capital. Details of these loans are as follows:

- C A \$1 million loan to purchase and rehabilitate two affordable, multi-family apartment buildings in South Minneapolis. The buildings contain 58 units and are located in the second poorest census tract in the MSA at only 19.48% of median family income. The borrower qualifies for the Minnesota Housing Finance Agency 4d program. This program provides rent ceilings, maximum income guidelines based on family size, and pledging of units for Section 8 recipients. Maximum incomes all fall within the low- and moderate-income categories. The rehabilitation of these housing units will help stabilize the Lake Street area in South Minneapolis.

- C Two loans totaling \$7.1 million to purchase and rehabilitate affordable, multi-family apartment buildings in South Minneapolis. There are 23 buildings containing 410 units. Sixteen of the buildings are located in low-income census tracts. In addition, six of those 16 buildings are located in census tracts with median family incomes falling below the poverty level. The remaining seven buildings are located in moderate-income census tracts. The majority of the residents of these units fall into the low- and moderate-income category. Monthly rental expense for these apartments is 89%-100% of the average market rent for the South Minneapolis area, which is lower than the average for the assessment area as a whole. Rehabilitation of these housing units will help stabilize an economically distressed area.
- C Two loans totaling \$2.2 million to purchase affordable, multi-family apartment buildings in South Minneapolis. There are five buildings containing 91 units, all of which are located in low-income census tracts. The borrower has been recognized by the City of Minneapolis for both property improvements and removing tenants involved with criminal activities. These efforts stabilize the South Minneapolis area.
- C A \$1.3 million loan to purchase six affordable, multi-family apartment buildings in South Minneapolis. Two of the buildings are located in low-income census tracts and four of the buildings are located in moderate-income census tracts. The buildings contain a total of 76 units, most of which are one-bedroom units. Monthly rental expense for the apartments is 83% of the average rent for the assessment area, which is more affordable for low- and moderate-income residents.
- C A \$9.1 million loan for the construction of a 108-unit senior housing cooperative. Buyers of the individual units must meet financial and income qualifications under Federal Housing Administration (FHA) and Department of Housing and Urban Development (HUD) standards. Of the 75 units pre-sold, 33% of buyers are low-income and 48% of buyers are moderate-income.
- C A \$1.5 million line of credit to a three-bank holding company to establish a centralized Small Business Administration (SBA) lending function. The line is used to fund loans to small businesses with loans ranging in size from \$50,000 to \$1,000,000 under the SBA 7A Program. Reductions in the line will come from the sale of the guaranteed portion of these SBA loans to other investors, allowing for a revolving loan fund. This loan directly addresses the identified assessment area credit need for small business loans that foster job creation.

Refer to Table 1 in Appendix C for the facts and data used to evaluate the bank-s level of community development lending.



## INVESTMENT TEST

The bank's performance under the Investment Test is rated **Needs to Improve**. The bank, through National City Bank Foundation, has made a low level of investments within its assessment area. This demonstrates poor responsiveness to identified community needs, given available opportunities. During the evaluation period, NCB made 155 qualified investments (all grants) totaling \$837,218. This equals 1.3% of Tier I capital and 0.1% of total assets.

Within the assessment area, numerous investment opportunities are available. Other area banks have created community development corporations (CDCs), invested in established CDCs and small business investment corporations (SBICs), purchased interests in limited partnerships eligible for low-income housing tax credits, and invested in loan pools fostering economic development or affordable housing. NCB has the financial capacity to support additional investments which would address these opportunities in a manner consistent with the bank's overall business strategy.

Among banks subject to the large bank CRA examination procedures in this assessment area, all have higher levels of investment in terms of actual dollars and as a percentage of Tier I capital. Four of these banks have total assets less than \$1 billion, similar in size to NCB. These four banks invested 2.2%, 13%, 14%, and 23% of Tier I capital; or 0.25%, 1.22%, 1.36% and 1.77% of total assets.

Community contacts indicate that there is a strong need for affordable housing and for programs that foster job creation or retention. The majority of the bank's grants focus on these areas. About 66% of the number and 56% of the dollars of NCB's grants involved affordable housing, economic development, or job training. Some of the larger grants included:

- C \$48,616 for down payment assistance grants to 33 low- and moderate-income families, generally \$500 to \$2,000 per family.
- C \$75 thousand to two limited partnerships formed to construct affordable housing. These partnerships represent interests in residential real estate projects that qualify for low-income housing tax credits.
- C \$40 thousand to an SBIC that provides long term financing for minority-owned businesses.
- C \$50 thousand to a community service organization providing social services (child care, employment, welfare-to-work, and alternative education). About 70% of recipients are low-income.

Refer to Table 12 in Appendix C for a summary of the data used to evaluate the bank's level of qualified investments.

## **SERVICE TEST**

The bank's performance under the Service Test is rated **ALow Satisfactory.**@

### **Retail Banking Services**

NCB has a limited number of branch locations. However, its use of state-of-the-art technology helps provide individuals of different income levels reasonable access to banking services throughout the assessment area. The bank's three offices are located in middle-income census tracts. Census tracts surrounding the bank's downtown main office and drive-up facility include 36 low-income and 39 moderate-income census tracts, representing 52% of all low- and moderate-income census tracts in the bank's assessment area. The downtown area is easily accessible by public transportation, which also benefits low- and moderate-income individuals.

Hours are convenient. The downtown main office and drive-up facility are open Monday through Friday from 7:30 a.m. to 6:00 p.m. The Edina branch has lobby hours between 8:30 a.m. to 5:00 p.m. with extended hours on Friday and Saturday. The Edina office drive-up hours are 7:00 a.m. to 6:00 p.m. with Saturday hours. There are no material differences in services or products at any location.

NCB has eight proprietary ATMs. Four are located in the Gaviidae shopping center, which houses the downtown office. Two are located at the downtown drive-up facility and two are located at the Edina office. In addition, the bank has an agreement with U.S. Bank, N.A. allowing NCB customers free use of Fastbank ATMs. U.S. Bank, N.A. maintains approximately 520 Fastbank ATMs throughout the nation. There are also 170 ATMs that dual-branded machines using Fastbank and UBank trade names that allow NCB customers free ATM use.

NCB has seven kiosk locations within seven of its large commercial banking customers. Each site has a full-service ATM, a commercial depository, and an interactive touch-screen video phone that allows face-to-face contact with bank personnel. The site allows customers to send and receive documents through a scanner and printer. It allows the business and its employees to have banking convenience on its premises. Customers can use these sites to open deposit accounts, apply for loans, obtain current interest rates for loans and yields on deposits, and inquire about non-deposit products and trust services.

One kiosk site is located in a moderate-income tract. One is located in an upper-income tract and the remaining five are in middle-income tracts. The bank analyzed the income levels of the employees at one of the kiosk sites located in a middle-income tract. At this site, approximately 58% of the employees have

salaries that fall into low- or moderate-income category. The bank did not have any information about what percentage of these employees were NCB customers. The bank also offers 24-hour telephone banking services for both commercial and consumer customers. Customers can monitor deposit and loan account activity, obtain interest rate information, initiate transactions, and make account transfers. For commercial customers, NCB offers computer-based banking that allows customers to monitor business account activity, make loan payments, and initiate loan advances.

The kiosks and telephone banking are alternate methods of delivering banking services. However, because there was limited information as to the income levels of most of the customers using the kiosks and telephone banking, we did not place much emphasis on them as an effective way of delivering services to low- and moderate-income individuals when arriving at our rating for the Service Test.

NCB has not opened or closed any offices since the last examination.

Refer to Table 13 in Appendix C for the facts and data used to evaluate the distribution of the bank's branch and ATM delivery system.

### **Community Development Services**

Bank employees and officers have provided an adequate level of community development services. During the evaluation period, NCB personnel have provided guidance and financial expertise to about 15 organizations serving the low- and moderate-income population and small businesses. Participation in these organizations addresses identified community development needs in the assessment area. The following are examples of some of the more significant types of community development services:

- C Bank employees continue to serve on the multi-bank lending consortium that targets minority-owned small businesses and business owners who could not ordinarily qualify for loans using standard bank underwriting. Bank employees provide assistance, financial expertise, and serve on the loan committee for MEDA (Metropolitan Economic Development Association).
- C Bank employees provide counseling support, particularly for small business lending opportunities, at the Association of Community Organizations for Reform Now (ACORN) Bank Fair . At these bank fairs, bank personnel typically provide general information on obtaining small business and real estate loans and financial counseling. The targeted audience is low- and moderate-income individuals and small business owners.

- C Several bank employees provide support and serve as board members for the Chambers of Commerce of various metropolitan cities. These organizations primarily support business growth and development for businesses of all sizes. Employees are involved in committees that perform activities such as treasury management and fund raising, sponsoring group seminars on how small businesses can benefit from merchant credit card services, creating a growth fund for use by Chamber members, and other economic development related training for Chamber members.
  
- C Bank personnel are involved in two organizations whose purpose is to improve job skills in preparation for employment or to obtain better employment. Participants are low-income women. In 1999, these organizations served 256 women. NCB has hired six of these women for full-time employment as a result of these programs.
  
- C A bank officer serves as the acting mayor of a suburban city. Through this position, the officer is also a commissioner of the city's HRA (Housing and Redevelopment Association). The HRA works to provide affordable housing using the guidelines for Section 8 housing.

## 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.

<b>Time Period Reviewed</b>	Lending Test: January 1, 1997 to December 31, 1998 Investment Test: January 1, 1998 to December 31, 1999 Service Test: January 1, 1998 to December 31, 1999	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
National City Bank of Minneapolis Minneapolis, Minnesota	Small Business, Home Improvement, and Community Development loans; Qualified Investments; Retail and Community Development Services	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
NA		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Minneapolis - St. Paul MSA #5120	Full-Scope	Assessment Area includes all of the following Minnesota counties within MSA #5120: Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington

## Appendix B: Market Profiles for Full-Scope Areas

### Minneapolis-St. Paul Assessment Area

Demographic Information for Full-Scope Area: Minneapolis-St. Paul Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts/BNAs)	606	9%	15%	54%	20%	2%
Population by Geography	2,288,721	6%	11%	60%	23%	0%
Owner-Occupied Housing by Geography	594,035	2%	10%	62%	26%	0%
Businesses by Geography	89,819	5%	10%	60%	25%	NA
Farms by Geography	1,676	2%	6%	67%	25%	NA
Family Distribution by Income Level	588,153	16%	18%	28%	38%	NA
Distribution of Low- and Moderate-Income Families throughout AA Geographies	202,519	9%	18%	61%	12%	NA
Median Family Income - MSA #5920 \$43,063	=	Median Housing Value		= \$93,803		
HUD Adjusted Median Family Income for 1998 - MSA #5920	=	Unemployment Rate (1998)		= 1.6%		
\$63,600						
Households Below the Poverty Level	= 8%					

Source: 1990 U.S. Census, 1998 HUD updated MFI, and 1998 updated unemployment data from Minnesota Department of Economic Security .

The assessment area consists of seven Minnesota counties within the greater Minneapolis-St. Paul, MN-WI MSA #5120. These counties are: Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington. The assessment area has approximately 2.5 million people based on updated 1998 information from the Metropolitan Council.

NCB's three offices are located in Hennepin County. NCB has eight ATMs located at the bank offices. The bank also operates seven kiosks that provide traditional ATM services as well as expanded, interactive online services. There is one kiosk located in Anoka County, one in Dakota County, and five in Hennepin County.

NCB's market environment is extremely competitive, particularly among the larger commercial financial institutions. Nearly 500 lenders reported home mortgage loan originations and about 150 lenders reported small business loan originations within the assessment area in 1998. The market for both loans and deposits is dominated by two regional banks, U.S. Bank, N.A. and Norwest Bank Minnesota, N.A. These two organizations and their affiliates originated 30% of all home improvement loans and 43% of all small business loans in the assessment area during 1998 and control 75% of assessment area deposits. TCF National Bank

Minnesota and Firststar Bank of Minnesota, N.A. have the next highest deposit market shares in Hennepin County with 5.2% and 2.8%, respectively. In comparison, NCB ranks 19th in home improvement lending (1.2% market share), 16th in small business lending (0.6% market share) and fifth in deposit market share (2.04%).

Minneapolis-St. Paul is the fifteenth largest metropolitan area in the United States. The area has a thriving, diversified economic base and is a center for electronics, medical instruments, health care, finance, entertainment and arts, printing and publishing, and processing and transporting agricultural products. Thirteen FORTUNE 500 companies have headquarters located in the Twin Cities area.

We reviewed information from 44 prior community contacts located throughout the assessment area. These contacts were made during 1997, 1998, and 1999 by the OCC and other regulatory agencies. We also interviewed individuals from five community groups during this examination. The contacts represented business trade organizations, housing authorities, housing development and rehabilitation organizations, economic development groups, city and government leaders, credit counseling services, social services organizations, and consumer advocacy groups. These community contacts provided valuable background information on the general economy of the area, the condition of the housing markets, the types of credit offered for housing and small businesses, the availability of financial services, and the responsiveness of banks and other financial institutions.

Contacts identified a strong need for affordable housing. This includes first-time home buyer programs, multi-family and other rental housing, and combination financing for home purchase and home improvement under a first mortgage. The 1998 average sales price of a home in the assessment area was \$143,500. The combination of a strong economy and favorable interest rates has resulted in increasing home prices during the last few years. Contacts stated that there was a need for housing at all income levels and that this would be an opportunity for banks to assist in community development lending. Home improvement loans are also needed to improve the quality of aging housing stock in many neighborhoods.

Many contacts also stated that there is a strong need for small business loans and for loans that foster job creation. There is also a need for technical and managerial counseling services for small business owners. Some contacts indicated that it would be beneficial if financial institutions could provide smaller suburban communities with technical advice on alternate or tax increment financing for city-based development projects.

## Appendix C: Tables of Performance Data

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### Content of Standardized Tables

The tables cover the entire CRA evaluation period. References to the **Abank@** 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; market rank is based on the number of loans made by the bank as compared to all other lenders in the MSA/assessment area; and market share is the number of loans originated by the bank as a percentage of the aggregate number of reportable loans originated by all lenders in the MSA/assessment area. 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 by the bank over the evaluation period by MSA/assessment area.
- Table 2. Geographic Distribution of HMDA Home Purchase Loan Originations** - Compares the percentage distribution of the number of loans originated 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 rank and market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of HMDA Home Improvement Loan Originations** - See Table 2.
- Table 4. Geographic Distribution of HMDA Refinance Loan Originations** - See Table 2.
- Table 5. Geographic Distribution of Small Business Loan Originations** - The percentage distribution of the number of small loans (< \$1 million) to businesses originated 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 rank and market share information based on the most recent aggregate market data available.
- Table 6. Geographic Distribution of Small Farm Loan Originations** - The percentage distribution of the number of small loans (< \$500,000) to farms originated 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 rank and market share information based on the most recent aggregate market data available.

- Table 7. Borrower Distribution of HMDA Home Purchase Loan Originations** - Compares the percentage distribution of the number of loans originated by the bank to low-, moderate-, middle- and upper-income borrowers to the percentage distribution of families by income level in each MSA/assessment area. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 8. Borrower Distribution of HMDA Home Improvement Loan Originations** - See Table 7.
- Table 9. Borrower Distribution of HMDA Refinance Loan Originations** - See Table 7.
- Table 10. Borrower Distribution of Small Business Loan Originations** - Compares the percentage distribution of the number of small loans (< \$1 million) originated 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. The table also presents the percentage distribution of the number of loans originated 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 11. Borrower Distribution of Small Farm Loan Originations** - Compares the percentage distribution of the number of small loans (< \$500 thousand) originated 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. The table also presents the percentage distribution of the number of loans originated 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 12. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MSA/assessment area.
- Table 13. Distribution of Branch and ATM Delivery System** - Compares the percentage distribution of the number of the bank's retail branches and ATMs in low-, moderate-, middle- and upper-income geographies to the percentage of the population within each geography.

**Table 1. Lending Volume**

LENDING VOLUME													State: MN	Evaluation Period: January 1, 1997 To December 31, 1998	
MSA/Assessment Area:	% of Total Bank Deposits in Rated Area	Home Mortgage*		Small Business		Small Farm		Community Development**		Total Reported Loans		% of Total Reported Bank Loans in Rated Area			
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)				
Full-Scope:															
Mpls. - St. Paul Assessment Area	100%	223	\$6,159	257	\$54,460	0	\$0	8	\$22,169	488	\$82,788	100%			
Limited-Scope:															
NA															

(\*) We included loans made from January 1, 1998 through December 31, 1998 for home mortgage purposes.  
 (\*\*) We included loans made from January 1, 1998 through December 31, 1999 for community development purposes.

**Table 2. Geographic Distribution of Home Purchase Loan Originations**

Geographic Distribution: HOME PURCHASE																
State: MN			Evaluation Period: NA													
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Purchase Loans	
	% Owner Occ Units	% NCB Loans	% Owner Occ Units	% NCB Loans	% Owner Occ Units	% NCB Loans	% Owner Occ Units	% NCB Loans		Overall	Low	Mod	Mid	Upp	#	% of Total
Full-Scope:																
Not Reviewed																
Limited-Scope:																
NA																





**Table 5. Geographic Distribution of Small Business Loan Originations**

Geographic Distribution: SMALL BUSINESS      State: MN      Evaluation Period: January 1, 1997 To December 31, 1998																
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Small Business Loans	
	% of Businesses	% NCB Loans	% of Businesses	% NCB Loans	% of Businesses	% NCB Loans	% of Businesses	% NCB Loans		Overall	Low	Mod	Mid	Upp	#	% of Total
Full-Scope:																
Mpls. - St. Paul Assessment Area	5%	5%	10%	2%	60%	61%	25%	32%	16	1%	0%	0%	0%	2%	257	100%
Limited-Scope:																

(\*) Based on examiner loan sampling as 1997 and 1998 Aggregate Small Business Data were inaccurate for this purpose..





**Table 8. Borrower Distribution of Home Improvement Loan Originations**

Borrower Distribution: HOME IMPROVEMENT      State: MN      Evaluation Period: January 1, 1998 To December 31, 1998																
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank*	Market Share by Borrower Income**					Total Home Improvement Loans	
	% of Families	% NCB Loans	% of Families	% NCB Loans	% of Families	% NCB Loans	% of Families	% NCB Loans		Overall	Low	Mod	Mid	Upp	#	% of Total
Full-Scope:																
Mpls. - St. Paul Assessment Area	16%	7%	18%	14%	28%	42%	38%	37%	19	1%	1%	1%	2%	1%	206	100%
Limited-Scope:																

(\*\*) Based on 1998 Aggregate HMDA Data.



**Table 10. Borrower Distribution of Small Business Loan Originations**

Borrower Distribution: SMALL BUSINESS State: MN Evaluation Period: January 1, 1997 To December 31, 1998											
MSA/Assessment Area:	Businesses with Revenues of \$1 million or less			Loans by Original Amount Regardless of Business Size			Market Share****		Total Small Business Loans		
	% of Businesses*	% NCB Loans**	% Market Loans***	\$100,000 or Less	> \$100,000 to \$250,000	> \$250,000 to \$1,000,000	All	Rev \$1 million or less	#	% of Total	Avg Loan Size
Full-Scope:											
Mpls. - St. Paul Assessment Area	86%	49%	42%	51%	23%	26%	1%	1%	257	100%	\$212,000
Limited-Scope:											

(\*) As a percentage of all businesses in assessment area.  
 (\*\*) As a percentage of all loans regardless of revenue size of the business.  
 (\*\*\*) The market consists of all other Small Business reporters in NCB's assessment area and is based on 1998 Aggregate Small Business Data.  
 (\*\*\*\*) Based on 1998 Aggregate Small Business Data.

**Table 11. Borrower Distribution of Small Farm Loan Originations**

Borrower Distribution: SMALL FARM      State: MN      Evaluation Period: NA											
MSA/Assessment Area:	Farms with Revenues of \$1 million or less			Loans by Original Amount Regardless of Farm Size			Market Share****		Total Small Farm Loans		
	% of Farms*	% NCB Loans**	% Market Loans***	\$100,000 or Less	> \$100,000 to \$250,000	> \$250,000 to \$500,000	All	Rev \$1 million or less	#	% of Total	Avg Loan Size
Full-Scope:											
Not Reviewed											
Limited-Scope:											

**Table 12. Qualified Investments**

QUALIFIED INVESTMENTS State: MN Evaluation Period: September 1, 1997 To December 31, 1999									
MSA/Assessment Areas:	Prior Period Investments*			Current Period Investments			Total Investments		
	#	\$ (000's)	%**	#	\$ (000's)	%**	#	\$ (000's)	% of Total \$-s
Full-Scope:									
Mpls.-St. Paul Assessment Area	0	\$0	0%	155	\$837	100%	155	\$837	100%
Limited-Scope:									

(\*) Prior Period Investments means investments made in a previous evaluation period that remain outstanding.  
 (\*\*) Percentage of the dollars invested in that MSA/Assessment Area that are prior period investments or current period investments.

**Table 13. Distribution of Branch and ATM Delivery System**

DISTRIBUTION OF BRANCH AND ATM DELIVERY SYSTEM				State: MN				Evaluation Period: September 1, 1997 To <b>December 31, 1999</b>									
MSA/Assessment Area:	Deposits	Branches						ATMs				Population					
	% of Total NCB Deposits	# of NCB Branches	% of Total NCB Branches	Location of Branches by Income of Geographies				# of NCB ATMs	% of Total NCB ATMs	Location of ATMs by Income of Geographies				% of the Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
Full-Scope:																	
Mpls-St. Paul Assessment Area	100%	3	100%	0%	0%	100%	0%	8	100%	0%	0%	100%	0%	6%	11%	60%	23%
Limited-Scope:																	

