



**LARGE BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

**PUBLIC DISCLOSURE**

August 13, 2012

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

Bremer Bank, National Association  
Charter Number 23285

720 Broadway  
Alexandria, MN 56308-1812

Office of the Comptroller of the Currency

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Minneapolis, MN 55402-3393

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:

- Bremer’s Lending Test is good. The bank’s lending activity is good in the state of Minnesota and adequate in the state of North Dakota. Lending within one of the bank’s assessment areas is excellent with 92% of all bank loans made in one of the designated assessment areas.
- The bank provides an overall good level of qualified investments. Qualified investments are primarily from charitable contributions that address the needs of low- and moderate-income individuals.
- Bremer’s performance under the Service Test is excellent. Bank employees are involved in a high level of services to organizations that address the needs of low- and moderate-income people and meet the business needs of small businesses. Bremer’s delivery systems are readily accessible to low- and moderate-income individuals and geographies.

## 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.

**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.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low- or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
  - a. Rates of poverty, unemployment, and population loss; or
  - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

**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 householder' 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 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 applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn). Beginning in 2004, the reports also include data on loan pricing, the lien status of the collateral, any requests for preapproval and loans for manufactured housing.

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**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 metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**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.

**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 at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## Description of Institution

Bremer Bank, National Association (Bremer) is a \$624 million interstate bank headquartered in Alexandria, Minnesota. Bremer is wholly-owned by Bremer Financial Corporation (BFC), an \$8 billion banking organization headquartered in St. Paul, Minnesota. BFC affiliates have more than 80 banking locations throughout Minnesota, North Dakota, and Wisconsin. BFC is owned by the Otto Bremer Foundation (Foundation) and its employees. 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.

Bremer is a full-service bank offering a variety of loan and deposit products. The bank's lending focus is commercial, agricultural, and home mortgage lending. In addition to the main office and one branch location in Alexandria, the bank has five branches located in the rural Minnesota communities of Brandon, Morris, Starbuck, Breckinridge, and Fergus Falls in Minnesota. Bremer also operates one branch in Wahpeton, North Dakota. No mergers or acquisitions took place during this evaluation period.

As of December 31, 2011, net loans totaled \$401 million, representing 64% of total assets. The bank's loan to deposit ratio was 79% and Tier 1 Capital totaled \$56 million. Loan portfolio composition consists of 21% in commercial loans, 62% in residential real estate loans, 7% in agriculture loans, 10% in consumer loans, and less than 1% in other loan types.

There are no financial, legal, or other factors that impede the bank's ability to help meet the credit needs of its assessment areas.

Bremer received an "Outstanding" rating on its last CRA examination dated June 1, 2009.

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

The evaluation period for the Lending Test is January 1, 2009 through December 31, 2011. Products reviewed in the Lending Test include home mortgage, small business, and small farm loans. We used 2011 peer lending data, the most recent available, for small business and small farms to compare Bremer's lending performance to other reporting lenders in the assessment areas. All loans were evaluated using 2000 census data.

Home mortgage loans represent the largest portion of lending activity overall during the evaluation period with 1,896 loans totaling nearly \$257 million. These account for 52% by number and 51% by dollar of loans evaluated. During the same time period, small loans to businesses accounted for 1,064 loans totaling over \$165 million and small loans to farms accounted for 697 loans totaling \$82 million.

The evaluation period for community development activity (including community development loans) is January 1, 2009 through June 30, 2012. At the bank's request, we considered qualified investments made by the Foundation.

We used deposit information, reported to the Federal Deposit Insurance Corporation annually, to determine the bank's deposit market share and market presence within its assessment areas. The most recent deposit information available is as of June 30, 2011.

### Data Integrity

We conducted testing of the collected and reported HMDA, small business, and small farm data. We found the information to be substantially accurate and used it for this evaluation.

We also reviewed loans, investments, and services that were presented by management with a primary purpose of community development. In addition, we considered community development investments made by the Foundation. Those activities that meet the definition of community development are included in this evaluation.

### Selection of Areas for Full-Scope Review

In each state where the bank has an office, we selected one assessment area (AA) for a full-scope review. Refer to the "Scope" section under each state for details regarding how the areas were selected.

### Ratings

The bank's overall rating is a blend of two state ratings which Bremer has branch offices. We placed the most weight on the bank's performance in the state of Minnesota because it represented 96% of the bank's total deposit base and 90% of reported loan originations and purchases during the evaluation period.

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

Pursuant to 12 C.F.R. 25.28(c), in determining a national bank's CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance.

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

## State Rating

### State of Minnesota

#### **CRA Rating for Minnesota<sup>1</sup>: High Satisfactory**

**The lending test is rated: High Satisfactory**

**The investment test is rated: Low Satisfactory**

**The service test is rated: Outstanding**

The major factors that support this rating:

- Bremer's volume of lending in the state of Minnesota is good. This is based on good borrower distribution of loans and adequate geographic distribution.
- Bremer had an adequate level of qualified community development investments given the bank's resources and capacity.
- Bremer is a leader in providing community development services. This includes readily accessible delivery systems of products and services to individuals of different income levels.

### Description of Institution's Operations in Minnesota

Bremer has one assessment area (AA) in Minnesota. This AA includes the counties of Otter Tail, Wilkin, Grant, Douglas, Stevens, Pope, and Traverse in Minnesota (known as the combined non-MSA AA). In this AA, Bremer operates seven branches and 9 automated teller machines (ATMs).

The activity in the state of Minnesota accounts for 96% of the bank's total deposits and 90% of total loan originations. Home mortgage loans are the primary credit product, representing 53% by dollar volume or 54% by number, of all loan originations.

Bremer ranks first in deposit market share among 41 financial institutions operating in the Minnesota non-MSA AA. According to the June 30, 2011 FDIC Summary of Deposit report, Bremer had \$450 million in deposits in the AA representing 16.03% of the market. Major competitors include Wells Fargo, with 8.53% of the market and Bank of the West, with 7.72% of the market.

Refer to the market profiles for the state of Minnesota in Appendix C for detailed demographics and other performance context information for AAs that received full-scope reviews.

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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.

## **Scope of Evaluation in Minnesota**

We performed a full-scope review of Bremer's combined non-MSA AA in Minnesota. For our evaluation, we granted the most weight to Bremer's home mortgages in this AA based on volume. This was followed by small loans to businesses, then small loans to farms. Because Bremer originated a minimal number of multi-family loans in Minnesota, an analysis was not conducted as the data was not meaningful. However, the number is included on Table 5 for the state of Minnesota.

We considered information from community organizations for this evaluation. Information obtained is included in the Market Profile section in Appendix C.

## **LENDING TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the Lending Test in Minnesota is rated "High Satisfactory". Based on the full-scope review, the bank's performance in the Minnesota Non-MSA AA is good.

### **Lending Activity**

Refer to Table 1 Lending Volume in the state of Minnesota section of appendix D for the facts and data used to evaluate the bank's lending activity.

The volume of lending in the Minnesota non-MSA AA is good. Lending levels reflect good responsiveness in relation to area credit needs and the bank's deposit market share. Bremer has the largest deposit share of the 41 financial institutions within its AA, representing 16.03% of aggregate deposits and totaling \$450 million.

Bremer originated 1,790 home mortgage loans totaling \$246 million during the evaluation period. The bank is not subject to home mortgage data collection and reporting, therefore no peer data is available for analysis.

During the evaluation period, Bremer originated 916 small loans to businesses totaling \$146 million and 591 small loans to farms totaling \$68 million. The bank ranks second among 36 financial institutions in overall market share with 15.98% in 2010 for reportable business and farm loans.

In the Minnesota non-MSA AA, home mortgage loans account for 54.29% of total loans originated, and therefore, will receive the greatest weight in the analysis. Small loans to businesses account for 27.78%, and small loans to farms account for 17.93% of total loans originated. An analysis of multi-family housing is not meaningful due to the low volume of this loan type.

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

The geographic distribution of Bremer's loans is adequate. Bremer did not originate any loans to small businesses or loans to small farms in the moderate-income tracts during the evaluation period. However, the below demographic performance is somewhat mitigated by the location of the moderate-income geographies from the nearest branch location.

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

Refer to Tables 2, 3, and 4 in the state of Minnesota section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations/purchases.

The geographic distribution of Bremer's home mortgage loans is adequate. In the Minnesota non-MSA AA, the bank did not originate or purchase any home purchase or home improvement loans in the one moderate-income census tract. Home mortgage refinance loans are below the demographic of the AA. Performance is considered adequate given the low volume of owner-occupied homes in the moderate-income tract. Only 1.31% or 528 homes are located in this geography. In addition, the closest Bremer branch is over 15 miles from this census tract.

Due to the low volume of multifamily housing loans, a geographical analysis was not conducted as it would not be meaningful.

### ***Small Loans to Businesses***

Refer to Table 6 in the state of Minnesota section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses.

The geographic distribution of Bremer's small loans to businesses in the Minnesota non-MSA AA is poor. None of the 916 small business loans were originated in the moderate-income geography. As noted above, this census tract is located a significant distance from the nearest branch. In addition, only 242 businesses or 1.42% of all AA non-farm businesses are located in this area. Bremer's lending market share within this market was the second largest out of the 36 lenders for the origination of small business loans in the designated AA.

### ***Small Loans to Farms***

Refer to Table 7 in the state of Minnesota section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to farms.

The geographic distribution of small loans to farms is poor. None of the 106 small farm loans originated by Bremer were located in the moderate-income census tract. As noted above, the location and low volume of population in this area mitigates this performance. The geography has only 74 farms which represent 3.32% of the total AA farms.

### ***Lending Gap Analysis***

Our geographic distribution analysis included a review of lending gaps, particularly in moderate-income areas. We did not identify any conspicuous gaps in the Minnesota non-MSA AA.

***Inside/Outside Ratio***

In the state of Minnesota, Bremer originated or purchased a substantial majority of loans in one of its designated AA. A total of 93% of all loans were originated or purchased within the AA. By product type, 91% of home loans, 95% of small business loans, and 93% of small farm loans were originated within the AA. This reflects positively on the geographic distribution portion of the lending test.

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

Refer to Tables 8, 9, and 10 in the state of Minnesota section of 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 borrowers in the Minnesota non-MSA AA reflects excellent penetration among home mortgage loan customers of different incomes. This rating includes consideration of the 11% poverty level of the AA.

Bremer's distribution of home purchase loans to moderate-income borrowers and home improvement loans to low-income borrowers exceeds the percentage of these families in the AA. The percentage of home purchase to low-income borrowers and home refinance and home improvement loans to moderate-income borrowers is comparable to the demographics of the AA. Home refinance loans to low-income borrowers is somewhat below the percentage of low-income families in the AA.

***Small Loans to Businesses***

Refer to Table 11 in the state of Minnesota section of 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 Minnesota non-MSA AA reflects adequate penetration among business customers of different sizes.

The percentage of loans to businesses with revenues of \$1 million or less is slightly below the percentage of businesses reporting revenues of \$1 million or less in the Minnesota non-MSA AA. Bremer's market share to businesses with revenues of \$1 million or less is greater than the overall market share.

***Small Loans to Farms***

Refer to Table 12 in the state of Minnesota section 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.

Borrower distribution to small farms in the Minnesota non-MSA AA is good. Loans to farms with revenues of \$1 million or less is slightly below the percentage of small farms with revenues of \$1 million or less in the Minnesota non-MSA AA. However, Bremer's market share to small farms is greater than the overall market share.

## **Community Development (CD) Lending**

Refer to Table 1 Lending Volume in the state of Minnesota section of appendix D for the facts and data used to evaluate the bank's level of community development lending. This table includes all CD loans, including multifamily loans that also qualify as CD loans. In addition, Table 5 includes geographic lending data on all multi-family loans, including those that also qualify as CD loans. Table 5 does not separately list CD loans, however.

Community development lending had a positive impact on the bank's overall lending performance in the combined Minnesota non-MSA AA. During the evaluation period, Bremer originated two loans totaling \$2.5 million or 4.82% of the allocated Tier One Capital. The loans provided affordable housing within the AA.

## **Product Innovation and Flexibility**

The bank does not have any new flexible or innovative loan products for this evaluation period. However, Bremer continues to offer loans through the Minnesota Housing Finance Agency's First Time Home Buyers program and Farm Service Agency loan programs. Both programs assist low- and moderate-income borrowers in meeting credit needs.

## **INVESTMENT TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the Investment Test in Minnesota is rated "Low Satisfactory". Based on a full-scope review, the bank's performance in the Minnesota non-MSA AA is adequate.

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

The number and dollar volume of Bremer's qualified investments is adequate based on the opportunities to make investments in the Minnesota non-MSA AA. Bremer made 51 qualified grants and donations totaling \$922 thousand in the Minnesota non-MSA AA during the evaluation period. This volume of community development investments constitutes 1.78% of the allocated Tier One Capital.

The bank's qualified investments consisted primarily of charitable contributions to various organizations that provide community services targeted to low- and moderate-income individuals, support affordable housing for low- and moderate-income individuals, and support activities that promote economic development by financing small businesses and small farms.

## **SERVICE TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the Service Test in Minnesota is rated "Outstanding". Based on a full-scope review, the bank's performance in the Minnesota non-MSA AA is excellent.

## **Retail Banking Services**

Refer to Table 15 in the state of Minnesota section 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.

Bremer's delivery systems are readily accessible to individuals of different income levels and in geographies of different income levels in the Minnesota non-MSA AA. Bremer operates seven full-service branches all in middle-income census tracts. In addition, the bank has six deposit-taking ATMs and three cash only ATMs also in middle-income tracts. Bremer does not have any low-income geographies and only one moderate-income geography (located 15 miles from the nearest branch) in the Minnesota non-MSA AA. Bremer did not open or close any branches in the Minnesota non-MSA AA during the evaluation period.

Services do not vary in a way that inconveniences low- or moderate-income individuals or persons living in the moderate-income census tract. Bremer offers a wide variety of standard banking products and services to meet the needs of the AA. Six of the branch locations offer Saturday drive-up hours and one location offers lobby hours on Saturday.

In addition to the bank's ATM network, Bremer offers a variety of alternative delivery systems including telephone banking, computer banking (*eBank*), and bank-by-mail.

## **Community Development Services**

Bremer provides an excellent level of community developmental services in the Minnesota non-MSA AA. This assessment is based on the opportunities in the AA and the type of organizations that benefit from the services provided.

Nearly 30 bank employees provided their financial expertise to 27 organizations that promote various community development initiatives in the AA. This includes affordable housing programs for low- and moderate-income individuals and families, services targeted to low- and moderate-income individuals, economic development initiatives, and programs that assist in revitalizing and stabilizing the AA.

## State Rating

### State of North Dakota

#### CRA Rating for North Dakota<sup>2</sup>: High Satisfactory

**The lending test is rated: Low Satisfactory**

**The investment test is rated: Outstanding**

**The service test is rated: High Satisfactory**

The major factors that support this rating:

- Bremer's volume of lending in the state of North Dakota is adequate. This is based on adequate borrower distribution of loans and poor geographic distribution.
- Bremer had an excellent level of qualified community development investments given the bank's resources and capacity.
- Bremer had a good level of community development services. This includes readily accessible delivery systems of products and services to individuals of different income levels.

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

Bremer has one assessment area (AA) in the state of North Dakota. This AA includes the entire county of Richland, North Dakota. In this AA, Bremer operates one branch and one automated teller machine (ATM).

The activity in the state of North Dakota accounts for 4% of the bank's total deposits and 10% of total loan originations. Small loans to businesses are the primary credit product, representing 41% by number and 44% by dollar volume, of all originations.

Bremer ranks seventh in deposit market share among nine financial institutions operating in the North Dakota non-MSA AA. According to the June 30, 2011 FDIC Summary of Deposit report, Bremer had \$20 million in deposits representing 5.04% of the market. Major competitors include Wells Fargo and Bank of the West, with combined market share of 50.19%.

Refer to the market profiles for the state of North Dakota in Appendix C for detailed demographics and other performance context information for AAs that received full-scope reviews.

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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.

## **Scope of Evaluation in North Dakota**

We performed a full-scope review of Bremer's non-MSA AA in North Dakota. For our evaluation, we placed the most weight on Bremer's small loans to businesses based on lending volume. Small loans to farms and home mortgage loans received equal weight. Because Bremer originated a minimal number of multi-family loans in North Dakota, an analysis was not conducted as the data was not meaningful.

We considered information from community organizations for this evaluation. Information obtained is included in the Market Profile section in Appendix C.

## **LENDING TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the Lending Test in North Dakota is rated "Low Satisfactory". Based on the full-scope review, the bank's performance in the North Dakota non-MSA AA is adequate.

### **Lending Activity**

Refer to Table 1 Lending Volume in the state of North Dakota section of appendix D for the facts and data used to evaluate the bank's lending activity.

The volume of lending in the North Dakota non-MSA AA is adequate. Lending levels reflect adequate responsiveness in relation to area credit needs and the bank's deposit market share. Bremer is ranked seventh out of nine institutions for deposit share within its AA, representing 5.04% of aggregate deposits and totaling nearly \$20 million.

Bremer originated 106 home mortgage loans totaling \$11 million during the evaluation period. The bank is not subject to home mortgage data collection and reporting, therefore no peer data is available for analysis.

During the evaluation period, Bremer originated 148 small loans to businesses totaling \$19 million and 106 small loans to farms totaling \$14 million. The bank ranks third out of 24 financial institutions in overall market share with 12.11% in 2010 for reportable business and farm loans.

In the North Dakota non-MSA AA, small business loans account for 41.12% of total loans originated, and therefore, will receive the greatest weight in the analysis. Home purchase/home refinance mortgage loans and small loans to farms each account for 29.44% of total loans originated. An analysis of home improvement loans and multi-family housing is not meaningful due to the low volume of this loan type.

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

The geographic distribution of Bremer's loans is poor. Bremer did not originate any loans in the moderate-income tracts during the evaluation period. However, the below demographic performance is somewhat mitigated by the location and sparse population of the moderate-income geographies. These tracts are located on a Native American Reservation, 25 miles from the North Dakota branch location.

### ***Small Loans to Businesses***

Refer to Table 6 in the state of North Dakota section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses.

The geographic distribution of Bremer's small loans to businesses in the North Dakota non-MSA AA is poor. None of the 148 small business loans were originated in either of the two moderate-income geographies. These tracts, as noted above, are located a significant distance from the nearest branch. In addition, only 27 businesses or 1.28% of all AA non-farm businesses are located in this area. Bremer's lending market share within this market was the third largest out of the 24 lenders for the origination of small business loans in the designated AA.

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

Refer to Tables 2, 3, and 4 in the state of North Dakota section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations/purchases.

The geographic distribution of Bremer's home mortgage purchase and home refinance loans is poor. In the Minnesota non-MSA AA, the bank did not originate or purchase any home purchase or home refinance loans in the moderate-income census tracts. This poor performance is explainable in that only 24 owner-occupied units are located in these geographies.

### ***Small Loans to Farms***

Refer to Table 7 in the state of North Dakota section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to farms.

The geographic distribution of small loans to farms is poor. None of the 106 small farm loans originated by Bremer were located in the moderate-income census tracts. As noted above, the location and low volume of population in this area mitigates this performance. The geography has only 5 farms which represent 1.28% of the total AA farms.

### ***Lending Gap Analysis***

Our geographic distribution analysis included a review of lending gaps, particularly in moderate-income areas. We did not identify any unexplainable, conspicuous gaps in the North Dakota non-MSA AA.

### ***Inside/Outside Ratio***

For the geographic distribution analysis under the Lending Test, we performed an inside/outside ratio analysis at the bank level. Bremer originated or purchased a high percentage of the bank's loans within

its designated AAs. A total of 85% of all loans were originated or purchased within the AAs. By product type, 79% of home loans, 86% of small business loans, and 93% of small farm loans were originated within the AAs.

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

### ***Small Loans to Businesses***

Refer to Table 11 in the state of North Dakota section of 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 North Dakota non-MSA AA reflects adequate penetration among business customers of different sizes.

The percentage of loans to businesses with revenues of \$1 million or less is below the percentage of businesses reporting revenues of \$1 million or less in the North Dakota non-MSA AA. However, Bremer's market share to businesses with revenues of \$1 million or less is equal to the overall market share.

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

Refer to Tables 8, 9 and 10 in the state of North Dakota section of 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 borrowers in the North Dakota non-MSA AA reflects excellent penetration among home purchase and refinance mortgage loan customers of different incomes. Bremer did not originate any home improvement loans during this evaluation period in the North Dakota non-MSA AA. This performance rating includes consideration of the 13% poverty level of the AA.

Bremer's distribution of home purchase loans to low- and moderate-income borrowers exceeds the percentage of these families in the AA. The percentage of home refinance loans to moderate-income borrowers is comparable to the demographics of the AA. Home refinance loans to low-income borrowers is below the percentage of low-income families in the AA.

### ***Small Loans to Farms***

Refer to Table 12 in the state of North Dakota section 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.

Borrower distribution to small farms in the North Dakota non-MSA AA is adequate. Loans to farms with revenues of \$1 million or less is somewhat below the percentage of small farms with revenues of \$1 million or less in the North Dakota non-MSA AA. However, Bremer's market share to small farms is greater than the overall market share.

## **INVESTMENT TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the Investment Test in North Dakota is rated "Outstanding". Based on a full-scope review, the bank's performance in the North Dakota non-MSA is excellent.

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

The level of investments is considered excellent given the bank's capacity and available investment opportunities. The bank provided twelve qualified investments totaling \$251 thousand during the evaluation period. The majority of the bank's investments assist organizations that provide services to low- and moderate-income individuals. This volume of community development investments constitutes 11.43% of the allocated Tier One Capital.

## **SERVICE TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the service test in North Dakota is rated "High Satisfactory". Based on a full-scope review, the bank's performance in the North Dakota non-MSA AA is good.

### **Retail Banking Services**

Refer to Table 15 in the state of North Dakota section 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.

Bremer's delivery systems are readily accessible to individuals of different income levels and geographies of different income levels in the AA. Bremer has one branch and one deposit-taking ATM located in an upper-income tract in the North Dakota AA. The AA is comprised of Richland County, which constitutes the entire North Dakota AA. There are no low-income geographies in the AA but two moderate-income geographies. During the evaluation period, Bremer closed the branch located in a supermarket and reopened a full-service branch in the same geography.

Services do not vary in a way that inconveniences the 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 location offers Saturday drive-up hours.

In addition to the bank's ATM network, Bremer offers a variety of alternative delivery systems including telephone banking, computer banking (*eBank*), and bank by mail.

### **Community Development Services**

Bremer provided a good level of community developmental services in the Richland County AA. Five bank employees provided their financial expertise to six organizations that promote various community development initiatives in the AA. This includes affordable housing programs for low- and moderate-income individuals and families as well as services targeted to low- and moderate-income individuals.

## 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 nonmetropolitan 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): 01/01/2009 to 12/31/2011 Investment, Service, and CD Loans: 01/01/2009 to 06/30/2012	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Bremer Bank, National Association (Bremer) Alexandria, MN	Home Mortgage, Small Business, Small Farm and Community Development Loans; Qualified Investments; Community Development Services	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
Otto Bremer Foundation	Holding Company	Qualified Investments
<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, non-MSA	Full Scope	Douglas, Grant, Pope, Stevens, Traverse, and Wilkin Counties
State of North Dakota, non-MSA	Full Scope	Richland County

## Appendix B: Summary of State Ratings

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

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

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

### State of Minnesota

#### Non-MSA

Demographic Information for Full-Scope Area: Minnesota Non-MSA						
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
Businesses by Geography	16,986	0.00	1.42	98.58	0.00	0.00
Farms by Geography	2,227	0.00	3.32	96.68	0.00	0.00
Family Distribution by Income Level	35,171	18.47	20.44	26.07	35.02	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	13,685	0.00	1.73	98.27	0.00	0.00
Median Family Income HUD Adjusted Median Family Income for 2011 Households Below the Poverty Level	= \$45,608 = \$59,200 = 11%	Median Housing Value Unemployment Rate				= \$86,168 = 2.32%

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2000 U.S. Census, and 2011 HUD updated MFI.

The assessment area (AA) consists of Douglas, Grant, Pope, Stevens, Traverse, Wilkin, and Ottertail Counties. As of June 30, 2011 Bremer Bank had \$450 million in deposits in this AA. Bremer bank ranks first in deposit market share out of the 41 institutions with a presence in the AA. The AA represents 2.43% of the state population in 2010.

Major industries in the AA include retail trade, manufacturing, accommodation and food services, and construction. The largest employers in the AA are Central Specialties, Barrel O'Fun Snack Foods Inc., West Central Turkeys, Alexandria Extrusion Co., Douglas Machine, Lund Boat Co., Tastefully Simple, University of Minnesota, Douglas County Hospital, and Lake Region Health Care Corp. The unemployment in 2010 for the state of Minnesota was lower than the nationwide rate of 8.9%.

Community and credit need in the AA include lending programs to assist LMI individuals and geographies.

## State of North Dakota

### Non-MSA

Demographic Information for Full-Scope Area: North Dakota Non-MSA						
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
Businesses by Geography	2,103	0.00	1.28	57.58	41.13	0.00
Farms by Geography	391	0.00	1.28	40.15	58.57	0.00
Family Distribution by Income Level	4,397	12.67	14.10	27.06	46.17	0.00
Distribution of Low- and Moderate- Income Families throughout AA Geographies	1,177	0.00	0.93	69.75	29.31	0.00
Median Family Income HUD Adjusted Median Family Income for 2011 Households Below the Poverty Level	= \$39,651 = \$63,000 = 13%	Median Housing Value Unemployment Rate				\$65,965 3.17%

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2000 U.S. Census, and 2011 HUD updated MFI.

The AA consists of Richland County in North Dakota. As of June 30, 2011, Bremer Bank had \$20 million in deposits in this AA. Bremer ranks seventh out of the nine institutions with a presence in the AA. The AA represented 2.68% of the state population in 2010.

Major employment industries consist of manufacturing, services, federal and state government, and retail trade. Largest employers within the AA are WCCO Belting, Inc., Minn-Dak, Cargill, and Giant Snacks, Inc. Unemployment in 2010 for the AA was 4.1% and was slightly higher than the statewide average of 3.5%, but remained below the nationwide average of 8.9%.

Community and credit need in the AA include lending programs to assist LMI individuals and geographies.

## Appendix D: Tables of Performance Data

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### Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan 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: (1) 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; (2) Partially geocoded loans (loans where no census tract is provided) cannot be broken down by income geographies and, therefore, are only reflected in the Total Loans in Core Tables 2 through 7 and part of Table 13; and (3) Partially geocoded loans are included in the Total Loans and % Bank Loans Column in Core Tables 8 through 12 and part of Table 13. 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. See Interagency Q&As \_\_.12 (i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans. Refer to the CRA section of the Compliance Policy intranet page for guidance on table placement.
- 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 \_\_.12 (i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such investments. Refer to the CRA section of the Compliance Policy intranet page for guidance on table placement.

**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.

**Tables of Performance Data**

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**State of Minnesota**

**State of North Dakota**

**Table 1. Lending Volume**

LENDING VOLUME												
Geography: MINNESOTA AND NORTH DAKOTA						Evaluation Period: JANUARY 1, 2009 TO DECEMBER 31, 2011						
Assessment Area (2011):	% 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>												
Minnesota non-MSA	90.16	1,790	246,077	916	146,157	591	68,303	2	2,498	3,299	463,035	16.03
North Dakota non-MSA	9.84	106	10,760	148	19,438	106	13,608	0	0	360	43,806	5.04

\* Loan Data as of December 31, 2011. Rated area refers to either state or multi-state MA rating area.

\*\* The evaluation period for Community Development Loans is from January 01, 2009 to December 31, 2011.

\*\*\* Deposit Data as of June 20, 2012. 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: Minnesota and North Dakota					Evaluation Period: JANUARY 1, 2009 TO DECEMBER 31, 2011					Market Share (%) by Geography*				
Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Over all	Low	Mod	Mid	Upp	
	#	% of Total**	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans						
<b>Full Review:</b>																
Minnesota non-MSA	484	90.98	0.00	0.00	1.31	0.00	98.69	100.00	0.00	0.00	N/A	N/A	N/A	N/A	N/A	
North Dakota non-MSA	48	9.02	0.00	0.00	0.50	0.00	58.72	79.17	40.78	20.83	N/A	N/A	N/A	N/A	N/A	

\* Based on 2010 Peer Mortgage Data (USPR)

\*\* 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 units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

\*\*\*\* Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

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

Geographic Distribution: HOME IMPROVEMENT		Geography: Minnesota and North Dakota					Evaluation Period: JANUARY 1, 2009 TO DECEMBER 31, 2011					Market Share (%) by Geography*				
Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans						
<b>Full Review:</b>																
Minnesota non-MSA	32	100.00	0.00	0.00	1.31	0.00	98.69	100.00	0.00	0.00	N/A	N/A	N/A	N/A	N/A	
North Dakota non-MSA	0	0.00	0.00	0.00	0.50	0.00	58.72	0.00	40.78	0.00	N/A	N/A	N/A	N/A	N/A	

\* Based on 2010 Peer Mortgage Data (USPR)

\*\* 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 units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

\*\*\*\* Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

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

Geographic Distribution: HOME MORTGAGE REFINANCE			Geography: MINNESOTA AND NORTH DAKOTA						Evaluation Period: JANUARY 1, 2009 TO DECEMBER 31, 2011						
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	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Minnesota non-MSA	1,272	95.71	0.00	0.00	1.31	0.16	98.69	99.84	0.00	0.00	N/A	N/A	N/A	N/A	N/A
North Dakota non-MSA	57	4.29	0.00	0.00	0.50	0.00	58.72	66.67	40.78	33.33	N/A	N/A	N/A	N/A	N/A

\* Based on 2010 Peer Mortgage Data (USPR)

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

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

\*\*\*\* Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 5. Geographic Distribution of Multifamily Loans**

Geographic Distribution: MULTIFAMILY		Geography: Minnesota and North Dakota						Evaluation Period: JANUARY 1, 2009 TO DECEMBER 31, 2011							
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	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Minnesota non-MSA	2	66.67	0.00	0.00	0.61	0.00	99.39	100.00	0.00	0.00	N/A	N/A	N/A	N/A	N/A
North Dakota non-MSA	1	33.33	0.00	0.00	0.00	0.00	93.56	100.00	6.44	0.00	N/A	N/A	N/A	N/A	N/A

\* Based on 2010 Peer Mortgage Data (USPR)

\*\* Multi-family loans originated and purchased in the MA/AA as a percentage of all multi-family loans originated and purchased in the rated area.

\*\*\* Percentage of Multi Family Units is the number of multi family units in a particular geography divided by the number of multifamily housing units in the area based on 2000 Census information.

\*\*\*\* Multifamily loan distribution includes Home Purchases, Home Improvement and Refinances.

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

Geographic Distribution: SMALL LOANS TO BUSINESSES		Geography: Minnesota and North Dakota						Evaluation Period: JANUARY 1, 2009 TO DECEMBER 31, 2011							
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>															
Minnesota non-MSA	916	86.09	0.00	0.00	1.42	0.00	98.58	100.00	0.00	0.00	12.61	0.00	0.00	13.85	0.00
North Dakota non-MSA	148	13.91	0.00	0.00	1.28	0.00	57.58	70.27	41.13	29.73	13.28	0.00	0.00	15.10	12.58

\* Based on 2010 Peer Small Business Data -- US and PR

\*\* 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 (2011).

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

Geographic Distribution: SMALL LOANS TO FARMS		Geography: Minnesota and North Dakota					Evaluation Period: JANUARY 1, 2009 TO DECEMBER 31, 2011					Market Share (%) by Geography*				
Assessment Area:	Total Small Farm Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans						
<b>Full Review:</b>																
Minnesota non-MSA	591	84.79	0.00	0.00	3.32	0.00	96.68	100.00	0.00	0.00	25.74	0.00	0.00	27.74	0.00	
North Dakota non-MSA	106	15.21	0.00	0.00	1.28	0.00	40.15	23.58	58.57	76.42	10.85	0.00	0.00	7.22	12.55	

\* Based on 2010 Peer Small Business Data -- US and PR

\*\* 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 (2011).

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

Borrower Distribution: HOME PURCHASE		Geography: Minnesota and North Dakota						Evaluation Period: JANUARY 1, 2009 TO DECEMBER 31, 2011							
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 3	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Minnesota non-MSA	484	90.98	18.47	12.76	20.44	29.71	26.07	29.50	35.02	28.03	N/A	N/A	N/A	N/A	N/A
North Dakota non-MSA	48	9.02	12.67	17.02	14.10	21.28	27.06	21.28	46.17	40.43	N/A	N/A	N/A	N/A	N/A

\* Based on 2010 Peer Mortgage Data (USPR)

\*\* 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 Families is based on the 2000 Census information.

\*\*\*\* As a percentage of loans with borrower income information available. No information was available for 1.3% of loans originated and purchased by bank.

3 Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

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

Borrower Distribution: HOME IMPROVEMENT		Geography: Minnesota and North Dakota						Evaluation Period: JANUARY 1, 2009 TO DECEMBER 31, 2011							
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 <sup>4</sup>	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Minnesota non-MSA	32	100.00	18.47	20.69	20.44	17.24	26.07	34.48	35.02	27.59	N/A	N/A	N/A	N/A	N/A
North Dakota non-MSA	0	0.00	12.67	0.00	14.10	0.00	27.06	0.00	46.17	0.00	N/A	N/A	N/A	N/A	N/A

\* Based on 2010 Peer Mortgage Data (USPR)

\*\* 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 Families is based on the 2000 Census information.

\*\*\*\* As a percentage of loans with borrower income information available. No information was available for 9.4% of loans originated and purchased by bank.

<sup>4</sup> Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

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

Borrower Distribution: HOME MORTGAGE REFINANCE		Geography: Minnesota and North Dakota					Evaluation Period: JANUARY 1, 2009 TO DECEMBER 31, 2011					Market Share*				
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 <sup>5</sup>	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	Overall	Low	Mod	Mid	Upp	
<b>Full Review:</b>																
Minnesota non-MSA	1,272	95.71	18.47	7.36	20.44	19.89	26.07	26.19	35.02	46.56	N/A	N/A	N/A	N/A	N/A	
North Dakota non-MSA	57	4.29	12.67	5.56	14.10	12.96	27.06	25.93	46.17	55.56	N/A	N/A	N/A	N/A	N/A	

\* Based on 2010 Peer Mortgage Data (USPR)

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

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* As a percentage of loans with borrower income information available. No information was available for 2.9% of loans originated and purchased by bank.

<sup>5</sup> Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

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

Borrower Distribution: SMALL LOANS TO BUSINESSES		Geography: Minnesota and North Dakota			Evaluation Period: JANUARY 1, 2009 TO DECEMBER 31, 2011				
Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share*	
	#	% 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>									
Minnesota non-MSA	916	86.09	73.15	61.57	61.68	21.40	16.92	12.61	14.81
North Dakota non-MSA	148	13.91	72.85	47.97	70.95	16.89	12.16	13.28	13.26

\* Based on 2010 Peer Small Business Data -- US and PR

\*\* 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 - 2011).

\*\*\*\* 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 0.19% of small loans to businesses originated and purchased by the bank.

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

Borrower Distribution: SMALL LOANS TO FARMS		Geography: Minnesota and North Dakota			Evaluation Period: JANUARY 1, 2009 TO DECEMBER 31, 2011				
Assessment Area:	Total Small Loans to Farms		Farms With Revenues of \$1 million or less		Loans by Original Amount Regardless of Farm Size			Market Share*	
	#	% 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>									
Minnesota non-MSA	591	84.79	98.65	83.25	63.45	24.70	11.84	25.74	29.31
North Dakota non-MSA	106	15.21	99.23	79.25	60.38	23.58	16.04	10.85	13.20

\* Based on 2010 Peer Small Business Data -- US and PR

\*\* 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 - 2011).

\*\*\*\* 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 0.29% of small loans to farms originated and purchased by the bank.

**Table 14. Qualified Investments**

QUALIFIED INVESTMENTS		Geography: Minnesota and North Dakota				Evaluation Period: JANUARY 1, 2009 TO JUNE 30, 2012			
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>									
Minnesota non-MSA	0	0	51	922	51	922	78.60	0	0
North Dakota non-MSA	0	0	10	251	12	251	21.40	0	0

\* 'Prior Period Investments' means investments made in a previous 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: Minnesota and North Dakota				Evaluation Period: JANUARY 1, 2009 TO JUNE 30, 2012									
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>																	
Minnesota non-MSA	100.00	0	100.00	0.00	0.00	100.00	0.00	0	0	0	0	0	0	0.00	1.33	98.67	0.00
North Dakota non-MSA	100.00	0	100.00	0.00	0.00	0.00	100.00	0	0	0	0	0	0	0.00	0.45	65.82	33.73

**Distribution of Branch and ATM Delivery System**

Distribution of Branch and ATM Delivery System																	
Geography: Minnesota and North Dakota																	
Evaluation Period: JANUARY 1, 2009 TO DECEMBER 31, 2011																	
MA/Assessment Area:	Deposits	Branches						ATMs						Population			
	% of Total Bank Deposits	# of Bank Branches	% of Total Bank Branches	Location of Branches by Income of Geographies (%)				#of Bank ATMs	% of Total Bank ATMs	Location of ATMs by Income of Geographies				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
<b>Full Review:</b>																	
Minnesota non-MSA	95.93	0	87.50	0	0	100.00	0	0	90.00	0	0	100.00	0	0.00	1.33	98.67	0.00
North Dakota non-MSA	4.07	0	12.50	0	0	0	100.00	0	10.00	0	0	0	100.00	0.00	0.45	65.82	33.73



