



**LARGE BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **Public Disclosure**

November 13, 2001

# **Community Reinvestment Act Performance Evaluation**

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

**720 Broadway  
Alexandria, MN 56308**

**Office of the Comptroller of the Currency**

**Minneapolis North Field Office  
920 Second Avenue South, Suite 800  
Minneapolis, MN 55402**

**NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, and should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

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## Overall CRA Rating

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

The following table indicates the performance level of **Bremer Bank, National Association** (Bremer) with respect to the lending, investment and service tests:

Performance Levels	Bremer Bank, National Association Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X		
Low Satisfactory		X	X
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 activity is excellent in all rated areas. A substantial majority of bank loans (95% by number) are inside its assessment areas.
- The borrower distribution of loans is good in Minnesota and adequate in North Dakota.
- The geographic distribution of loans is adequate.
- Bremer provided a good level of community development loans (which provided positive impact to the Lending Test assessment) in the Alexandria assessment area.
- Bremer provided an adequate level of qualified investments in Minnesota and a good level in North Dakota.
- Bremer's delivery systems are reasonably accessible to geographies and individuals of different income levels. Bank personnel provided an adequate level of community development services in all rated areas.

## Standard CRA Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

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

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

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical 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.

**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.

**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.

**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 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 applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

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

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

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

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

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

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

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

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

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

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

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

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

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

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.

## **Description of Institution**

Bremer Bank, National Association (Bremer) is a \$405 million interstate, commercial bank headquartered in Alexandria, Minnesota. In addition to the main office and one branch in Alexandria, the bank has five branches located in the Minnesota communities of Brandon, Fergus Falls, Starbuck, Morris, and Breckenridge. The bank also maintains one branch in Wahpeton, North Dakota. Bremer provides 15 automated teller machines (ATMs) in Minnesota and two in North Dakota.

The bank is owned by Bremer Financial Corporation (BFC), a \$5 billion holding company headquartered in St. Paul, Minnesota. BFC has eleven national bank subsidiaries (with more than 100 banking locations) throughout Minnesota, North Dakota, and Wisconsin. Non-bank affiliates include trust, insurance, management, and operations service companies. BFC is owned by Otto Bremer Foundation, a charitable trust. As a charitable trust, the Foundation must disperse at least 5% of its assets for charitable causes annually.

Bremer increased in size and operations when it merged with an affiliate bank (Bremer Bank, National Association, headquartered in Breckenridge) during the second quarter of 2000. With the merger, bank operations expanded to the north (Otter Tail County in Minnesota) and to the west (Wilkin and Traverse Counties in Minnesota and Richland County in North Dakota).

Bremer is a full-service bank offering a variety of loan and deposit products. Its lending focus is commercial, agricultural, and home mortgage loans. As of December 31, 2000, net loans totaled \$305 million, representing 75% of total assets and 102% of deposits. Tier 1 capital totaled \$28 million. The loan portfolio consists of the following composition: commercial (43%), residential real estate (25%), consumer (17%), agricultural (13%) and other (2%) loans.

There are no financial, legal, or other factors that impede the bank's ability to help meet the credit needs in its assessment areas. Bremer received a Satisfactory rating as of its last CRA examination dated September 21, 1998. The affiliate bank in Breckenridge which merged into Bremer received a Satisfactory rating as of its last CRA evaluation dated July 12, 1999.

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

- The evaluation period for the lending test (excluding community development loans) is January 1, 1998 through December 31, 2000. Home mortgage lending activity does not include 1998 data as many individual loan records were no longer available for validation.
- The evaluation period for community development loans, the investment test, and the service test is September 22, 1998, through December 31, 2000.
- The bank collects home purchase and refinance loan data even though it is not a HMDA reporter. Bank systems do not separately code home improvement loans.
- Products reviewed in the lending test include small business loans, small farm loans, home mortgage loans, and community development loans.
- Market comparisons for business and farm lending are based on 2000 peer data. This was the most recent data available at the time of the examination.
- At the bank's request, we considered qualified investments made by the affiliated Otto Bremer Foundation.
- At the bank's request, we also considered automated teller machines (ATMs) owned by the affiliated Bremer Services, Incorporated in the "Service Test" assessment.

### **Data Integrity**

To assess the accuracy of Bremer's CRA data, we compared reported information to credit file documentation for an independent sample of loans. We did not identify any material errors.

To assess the accuracy of Bremer's HMDA data, we compared collected information to credit file documentation for an independent sample of loans. We did not identify any material errors.

We reviewed 100% of the bank's community development loans, investments, and services. Only activities that qualified are presented and considered in this evaluation.

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

We performed full-scope reviews for the Alexandria assessment area (AA) in Minnesota and the Wahpeton AA in North Dakota. Bremer has no other assessment areas.

## **Ratings**

Bremer's overall CRA ratings are a blend of the state ratings. We gave the most weight to the State of Minnesota, because Minnesota represents 88% of the offices, 98% of the deposits, and 96% of the loan originations for the bank.

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

## **Inside/Outside Ratio**

For the geographic distribution analysis under the Lending Test, we performed an inside/outside analysis. A substantial majority of bank loans (96% by number) are originated to borrowers within its AAs. By product type, 95% of home mortgage loans, 96% of business loans, and 97% of farm loans are inside the bank's AAs. We viewed this as a positive characteristic in our assessment of lending performance.

## **Other Information**

Refer to Appendix B for performance context information and a description of the community contacts considered in this evaluation.

## **Fair Lending Review**

We performed an analysis of 1999 and 2000 public comments, consumer complaint information, and small business and small farm lending data according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination was not needed in connection with the CRA evaluation this year. The bank's last comprehensive fair lending examination was performed in 1998.

# State Rating

## State of Minnesota

<b>CRA Rating for Minnesota:</b>	<b><u>Satisfactory</u></b>
<b>The lending test is rated:</b>	<b>High Satisfactory</b>
<b>The investment test is rated:</b>	<b>Low Satisfactory</b>
<b>The Service Test is rated:</b>	<b>Low Satisfactory</b>

The major factors that support this rating are itemized below.

Lending levels reflect good responsiveness to community credit needs.

- Lending activity based on market share is excellent for business loans and good for farm and home mortgage loans.
- The overall borrower distribution of loans is good.
- The geographic distribution of loans is adequate for all loan products.
- The bank provided a good level of community development loans over the evaluation period, which had a positive impact on the lending test assessment.

Bremer provided an adequate level of qualified investments. Contributions primarily funded community development services to LMI individuals.

Bremer's delivery systems provide reasonable access to individuals of different income levels. Bremer provided an adequate level of community development services.

## Description of Institution's Operations in Minnesota

Alexandria is Bremer's only AA in the State of Minnesota. The Alexandria AA consists of Douglas, Grant, Otter Tail, Pope, Stevens, Traverse and Wilkin Counties in west central Minnesota. With a 15% deposit market share, Bremer ranks first of the thirty-eight financial institutions with offices in this area. The bank maintains seven offices and fifteen ATMs in the AA. The bank offers a variety of loan products, with an emphasis on commercial lending.

Refer to the Market Profiles in *Appendix C* for detailed demographics and other performance context information for assessment areas that received full-scope reviews.

## **Scope of Evaluation in Minnesota**

In the Lending Test assessment, we gave the most weight to business loans, followed by farm and home mortgage loans. Business lending represents 52% of the bank's loans by number (and 56% by dollar volume) over the evaluation period. Farm lending represents 30% of bank loans by number (and 24% by dollar volume). Home mortgage lending represents 18% of bank loans by number (and 20% by dollar volume).

We contacted one economic development organization in the AA. The contact stated that banks were meeting area credit needs, but there was a need for affordable housing stock.

## **LENDING TEST**

### **Conclusions**

The bank's Lending Test performance in Minnesota is rated "High Satisfactory."

### **Lending Activity**

*(Refer to Table 1 in Appendix D for the facts and data used to evaluate the bank's lending activity.)*

Lending levels reflect an excellent responsiveness in relation to area credit needs and Bremer's deposit market share. Business, agricultural and home mortgage loans are essential to the local economy. Bremer has the most deposits (\$278 million) of 38 banks with an office in the Alexandria AA. Bremer's deposit market share is 15%, and its market rank is 1.

Business lending activity in the Alexandria AA is excellent. Bremer reported 2,047 loans, totaling \$167 million over the evaluation period. Bremer originated 24% of all reported 2000 business loans in the AA, ranking first of 37 reporting lenders. Business loan market share information has limited meaning. Only six of 38 "local" banks reported CRA data for the year 2000. These "local" CRA data reporters collectively account for 44% of AA deposits. Among local CRA data reporters only, Bremer's business loan market share is 40% and its deposit market share is 34%.

Farm lending activity in the Alexandria AA is good. Bremer reported 1,202 loans, totaling \$71 million over the evaluation period. Bremer originated 32% of all reported 2000 farm loans in the AA, ranking second of 16 reporting lenders. Among local CRA data reporters only, Bremer's farm loan market share is 33% and its deposit market share is 34%; its market rank remains second.

Home mortgage lending in the Alexandria AA is good. Bremer originated 712 loans, totaling \$60 million in 1999 and 2000. HMDA market share data is not reliable. Bremer is not a HMDA reporter - only five of the 38 local banks report HMDA data. These "local" HMDA reporters collectively account for just 29% of AA deposits.

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

Bremer's overall geographic distribution of loans is adequate.

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

*(Refer to Tables 2, 3 and 4 in Appendix D for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations/purchases.)*

Bremer originated a low level of home mortgage loans in moderate-income areas over the evaluation period. Approximately 1% of both its home purchase and home refinance loans were in moderate-income areas. Moderate-income geographies contain approximately 8% of the assessment area's owner-occupied housing stock.

Nonetheless, the geographic distribution of home mortgage loans is adequate in light of the bank's poor proximity to moderate-income areas and the existence of several competing institutions in closer proximity.

The Alexandria AA contains three moderate-income geographies (there are no low-income areas). Two are located on the eastern edge of Otter Tail County (in the northeast corner of the AA). Bremer has just one office (a grocery store branch) in Otter Tail County. Its deposit market share is 1% in this county, ranking it last of 19 financial institutions. One moderate-income geography is located in the southwestern corner of the AA in Traverse County. Bremer has no branches in Traverse County.

The moderate-income geographies are located at least 20 miles from any Bremer office. And each moderate-income geography houses at least one competing financial institution.

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

*(Refer to Table 5 in Appendix D for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses.)*

Bremer originated a low level of business loans in moderate-income areas over the evaluation period. Approximately 2% of its business loans were in moderate-income areas. Moderate-income areas contain 4% of the assessment area's businesses.

Nonetheless, the geographic distribution of business loans is adequate in light of the bank's poor proximity to moderate-income areas and the existence of several competing institutions in closer proximity as previously described. In addition, the relatively small number of businesses in the moderate-income geographies (274) limits lending opportunities.

Of the six local banks that reported 2000 CRA data, Bremer originated the second-most business loans in moderate-income geographies in the Alexandria AA. The only local lender reporting more business loans has more branch facilities in both Otter Tail and Traverse Counties.

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

*(Refer to Table 6 in Appendix D for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to farms.)*

Bremer originated a low level of farm loans in moderate-income geographies over the evaluation period. Approximately 3% of its business loans were in moderate-income areas. Moderate-income areas contain about 7% of the assessment area's farms.

Nonetheless, the geographic distribution of farm loans is adequate in light of the bank's poor proximity to moderate-income areas and the existence of several competing institutions in closer proximity as previously described. In addition, the relatively small number of farms in the moderate-income geographies (143) limits lending opportunities.

Of the six local banks that reported 2000 CRA data, Bremer originated the second-most farm loans in moderate-income geographies in the Alexandria AA. The only local lender with more reported farm loans has more branch facilities in both Otter Tail and Traverse Counties.

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

Our geographic distribution analysis included a review for any unexplained lending gaps in the Alexandria AA, particularly in moderate-income geographies. We did not identify any unexplained lending gaps.

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

A substantial majority the bank's loans are inside its assessment areas. We calculated this ratio at the bank level. Refer to the ***Scope of Evaluation*** section for additional detail.

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

Bremer's overall borrower distribution of loans is good.

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

*(Refer to Tables 7 and 8 in Appendix D for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.)*

The overall distribution of home mortgage loans to borrowers of different income levels is good.

Performance involving moderate-income borrowers is excellent. In both the home purchase and refinance products, the bank's percentage of loans to moderate-income borrowers exceeds market demographics.

Performance involving low-income borrowers is good even though the percentage of loans to low-income borrowers is significantly lower than market demographics. There are several performance context factors that impede penetration in the low-income sector:

- Of all families in the AA, 10% have an annual income below poverty level (less than \$14,130 per 2001 HUD information). At this income level, it can be difficult to purchase a home.
- There is an identified need for affordable housing stock in the AA. This limits the opportunities for home purchase and refinance loans to low-income borrowers.
- Many settlement costs associated with a loan refinancing do not vary based on loan amount. Therefore, it generally takes longer to recoup these costs (through interest savings) on smaller dollar loans. The low-income sector likely has a higher proportion of small dollar loans given the direct correlation between income and debt service ability.

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

*(Refer to Table 9 in Appendix D for the facts and data used to evaluate the borrower distribution of the bank's origination and purchase of small loans to businesses.)*

The distribution of loans to businesses of different sizes is adequate. The percentage of loans to small businesses (i.e. gross annual revenues of \$1 million or less) is slightly less than the percentage of small businesses in the AA.

Of all banks that reported 2000 CRA data, Bremer originated the most business loans (and the most loans to small businesses) in the Alexandria AA. The bank's market share for loans to small businesses is greater than its overall business loan market share.

Bremer's willingness to make loans to small businesses is further evidenced by its loan size distribution. Approximately 81% of Bremer's reported business loans originated in amounts of \$100,000 or less.

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

*(Refer to Table 10 in Appendix D for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.)*

The distribution of loans to farms of different sizes is excellent. The percentage of loans to small farms (i.e. gross annual revenues of \$1 million or less) substantially meets the percentage of small farms in the AA.

Of all banks that reported 2000 CRA data, Bremer originated the second-most farm loans (and the second-most loans to small farms) in the Alexandria AA. The bank's market share for loans to small farms is slightly more than its overall farm loan market share.

Bremer's willingness to make loans to small farms is further evidenced by its loan size distribution. Approximately 84% of Bremer's reported farm loans originated in amounts of \$100,000 or less.

## **Community Development Lending**

*(Refer to Table 1 in Appendix D for the facts and data used to evaluate the bank's level of community development lending.)*

Bremer originated three community development loans totaling \$562 thousand over the evaluation period. Community development loans represent 2.1% of the bank's allocated Tier 1 capital. The community development loans were responsive to assessment area needs in that they promoted economic development and provided social services to low- and moderate-income individuals.

This volume of community development lending activity is considered good. We did not identify any other banks with this level of community development lending in the Alexandria assessment area. The bank's level of community development lending had a positive impact on its Lending Test assessment in Minnesota.

## **INVESTMENT TEST**

*(Refer to Table 11 in Appendix D for the facts and data used to evaluate the bank's level of qualified investments.)*

### **Conclusions**

The bank's Investment Test performance in Minnesota is rated "Low Satisfactory."

Bremer provided an adequate level of qualified investments in the Alexandria AA. Qualified investments consist entirely of contributions to organizations that provide community development services.

Bremer provided 67 qualified grants and donations totaling \$289 thousand during the evaluation period. This level of investment represents 1.1% of allocated Tier 1 capital for the Alexandria AA. Eighty-four percent of the donations (by dollar) funded organizations that provide social services to low- and moderate-income (LMI) individuals. Another 11% benefited organizations that promote affordable housing for LMI individuals. The remaining 5% provided funding to economic development organizations.

The bank's volume of qualified investment is considered adequate given the somewhat limited investment opportunities in the AA. We did not identify any community development investment securities at the local level in our performance context research, community contact work, or our review of the CRA performance evaluations of competing banks. Local CRA investment opportunities primarily consist of contributions to organizations with a community development purpose.

## **SERVICE TEST**

### **Conclusions**

The bank's Service Test performance in Minnesota is rated "Low Satisfactory."

### **Retail Banking Services**

*(Refer to Table 12 in 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 reasonably accessible to geographies and individuals of different income levels throughout the AA. All seven offices are located in middle-income geographies. Bremer closed one office in Fergus Falls - also in a middle-income area. A significant majority of the assessment area's population (89%) and low- and moderate-income (LMI) families (88%) reside in middle-income tracts.

Business hours and services offered throughout the AA are reasonable and do not vary in a way that inconveniences LMI geographies or individuals. All offices are open five days a week. Three offices offer Saturday lobby hours, and six facilities maintain Saturday drive-up hours. Bremer offers its complete line of products and services at each office in the assessment area and each office has in-house lenders.

The bank has fifteen automated teller machines (ATMs) in the AA, five of which accept deposits and nine that have 24-hour access. All ATMs are located in middle-income tracts.

Other alternative delivery systems include a 24-hour telephone service and an Internet banking service. The telephone bank service allows customers to check balances, review account history, transfer funds, initiate stop payment orders, and check CD and loan rates. The Internet banking service offers similar features in addition to accepting loan payments and processing bill payment requests.

Alternative delivery systems did not influence service test performance, as the bank could not demonstrate the impact of these systems in LMI geographies or the use of these systems by LMI individuals.

### **Community Development Services**

Bremer provides an adequate level of community development services. During the evaluation period, the bank provided qualifying services to 24 organizations. Services primarily consist of providing technical expertise and serving on the Board of Directors for organizations that promote economic development, provide services to LMI individuals, and address affordable housing needs.

# State Rating

## State of North Dakota

**CRA Rating for North Dakota:**

**The lending test is rated:**

**The investment test is rated:**

**The Service Test is rated:**

**Satisfactory**

**Low Satisfactory**

**High Satisfactory**

**Low Satisfactory**

The major factors that support this rating include:

Lending levels reflect adequate responsiveness to community credit needs.

- Business and home mortgage lending activity is excellent.
- The distribution of home mortgage loans to borrowers of different income levels and businesses of different sizes is adequate.

Bremer provided a good level of qualified investments. Contributions primarily funded community development services to LMI individuals.

Bremer's delivery systems provide reasonable access to individuals of different income levels. Bremer provided an adequate level of community development services.

## Description of Institution's Operations in North Dakota

Wahpeton is Bremer's only AA in the State of North Dakota. The Wahpeton AA consists of Richland County. With a 2% deposit market share, Bremer ranks last of eight financial institutions with offices in this area. The bank maintains one office and two ATMs in the AA. The bank offers a variety of loan products, with an emphasis on commercial lending.

Refer to the Market Profiles in *Appendix C* for detailed demographics and other performance context information for assessment areas that received full-scope reviews.

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

*(Refer to appendix A for more information.)*

In the Lending Test assessment, we gave the most weight to business loans followed by home mortgage loans. Business lending represents 50% of the bank's loans by number (and 58% by dollar volume) over the evaluation period. Home mortgage lending represents 38% of bank loans by number (and 31% by dollar volume).

We did not evaluate farm loans in the lending test analysis. Farm lending is not a primary bank product in this market. Farm lending represents only 12% of the bank's loans by number (and 11% by dollar volume) over the evaluation period. In addition, the small number of loans (<20) precludes meaningful analysis.

We did not review the geographic distribution of loans in the Wahpeton AA. This is not a meaningful analysis for the bank, as the AA is comprised entirely of middle- and upper-income geographies.

A community contact with an agricultural government agency was favorable. The contact felt banks were meeting area credit needs. He also indicated, however, there is a shortage of moderate priced housing in the area.

## **LENDING TEST**

### **Conclusion**

The bank's Lending Test performance in North Dakota is rated "High Satisfactory."

### **Lending Activity**

*(Refer to Table 1 in Appendix D for the facts and data used to evaluate the bank's lending activity.)*

Lending levels reflect excellent responsiveness in relation to area credit needs and the bank's deposit market share. Business and home mortgage loans are essential to the local economy. Bremer has the least deposits (\$6.7 million) of eight banks with an office in the Wahpeton AA. Bremer's deposit market share is 2%, and its market rank is 8.

Business lending activity in the Wahpeton AA is excellent. Bremer reported 65 business loans totaling \$6.6 million over the evaluation period. Bremer originated 11% of all reported 2000 business loans in the AA, ranking third of 23 reporting lenders. Market share data is fairly reliable for business loans in this area. Five of eight "local" banks reported CRA data for the year 2000. These "local" CRA data reporters collectively account for 79% of AA deposits.

Home mortgage lending activity in the Wahpeton AA is excellent. Bremer originated 50 home loans totaling \$3.5 million during 1999 and 2000. Even though the bank is not a HMDA reporter, HMDA market share data is fairly reliable in this area. Five of eight “local” banks report HMDA data. These “local” HMDA reporters collectively account for 86% of AA deposits.

For both 1999 and 2000, Community First National Bank originated the most HMDA loans in the Wahpeton AA (192 loans totaling \$7.7 million, of which 58 loans totaling \$0.6 million were for home improvement). This competitor is also the market leader in deposits (\$98 million in deposits with a market share of 35%). However, Bremer’s 1999 and 2000 home purchase and refinance lending activity (50 loans totaling \$3.5 million) is significant in relation to its small deposit base (\$6.7 million with a market share of 2%). Bremer has only 7% of the deposits that Community First has, but it has 49% of the competitor’s HMDA home purchase and refinance loan volume by dollar.

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

This is not a meaningful analysis for the bank, as the AA is comprised entirely of middle- and upper-income geographies.

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

Our analysis did include a review for any conspicuous lending gaps in the Wahpeton AA. We did not identify any lending gaps.

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

A substantial majority of the bank’s loans are inside in its AAs. We calculated this ratio at the bank level. Refer to the ***Scope of Evaluation*** section for additional detail.

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

Bremer’s overall borrower distribution of loans is adequate.

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

*(Refer to Tables 7 and 8 in Appendix D for the facts and data used to evaluate the borrower distribution of the bank’s home mortgage loan originations and purchases.)*

The overall distribution of home mortgage loans to borrowers of different income levels is adequate.

Performance involving moderate-income borrowers is good. In the home purchase product, Bremer's percentage of loans to moderate-income borrowers exceeds the market demographic. The bank did not extend any refinance loans to moderate-income borrowers in 1999 or 2000, but the market's penetration in this income category was low as well. The market in total originated only 26 refinance loans to moderate-income borrowers in the Wahpeton AA over 1999 and 2000. "Local" HMDA reporters (and a mortgage company affiliate of a local bank) account for just six of those loans.

Performance involving low-income borrowers is adequate even though the percentage of loans to low-income borrowers is significantly lower than market demographics. There are several performance context factors that impede penetration in the low-income sector:

- Of all families in the AA, 8% have annual incomes below poverty level (less than \$12,300 per 2001 HUD information). At this income level, it can be difficult to purchase a home.
- There is an identified need for affordable housing stock in the AA. This limits the opportunities for home purchase and refinance loans to low-income borrowers.
- Many settlement costs associated with a loan refinancing do not vary based on loan amount. Therefore, it generally takes longer to recoup these costs (through interest savings) on smaller dollar loans. And the low-income sector likely has a higher proportion of small dollar loans given the direct correlation between income and debt service ability.

HMDA reporters, in total, originated only 17 home purchase loans and 12 home refinance loans to low-income borrowers over 1999 and 2000. Local HMDA reporters (and a mortgage company affiliate of a local bank) account for 13 of the home purchase loans and 7 of the refinance loans. The market leader in the low-income sector is Community First National Bank with 8 home purchase and 6 refinance loans over this period. Bremer's performance (1 home purchase loan and 1 refinance loan) is not inconsistent with the performance of other local HMDA reporters.

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

*(Refer to Table 9 in Appendix D for the facts and data used to evaluate the borrower distribution of the bank's origination and purchase of small loans to businesses.)*

The distribution of loans to businesses of different sizes is adequate. The percentage of loans to small businesses (i.e. gross annual revenues of \$1 million or less) is somewhat lower than the percentage of small businesses in the AA.

Of all banks that reported 2000 CRA data, Bremer originated the third-most business loans (and the third most loans to small businesses) in the Wahpeton AA. The bank's market share for loans to small businesses is slightly less than its overall business loan market share.

Bremer's willingness to make loans to small businesses is also supported by its loan size distribution. Approximately 78% of Bremer's reported business loans originated in amounts of \$100,000 or less.

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

*(Refer to Table 10 in Appendix D for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.)*

Farm loans are not a primary bank product and were not analyzed.

### **Community Development Lending**

*(Refer to Table 1 in Appendix D for the facts and data used to evaluate the bank's level of community development lending.)*

Bremer did not originate any community development loans over the evaluation period. This had a neutral impact on its Lending Test assessment in North Dakota.

## **INVESTMENT TEST**

*(Refer to Table 11 in Appendix D for the facts and data used to evaluate the bank's level of qualified investments.)*

### **Conclusion**

The bank's Investment Test performance in North Dakota is rated "High Satisfactory."

Bremer provided a good level of qualified investments in the Wahpeton AA. Qualified investments consist entirely of contributions to organizations that provide community development services.

Bremer provided seven grants and donations totaling \$21 thousand during the evaluation period. This level of investment represents 3.8% of allocated Tier 1 capital for the Wahpeton AA. Seventy-nine percent of the donations (by dollar) funded organizations that provide social services to low- and moderate-income (LMI) individuals, primarily low-income farmers and American Indians. The remaining 20% benefited organizations that promote affordable housing for LMI individuals.

The bank's volume of qualified investment is considered good given the somewhat limited investment opportunities in the AA. We did not identify any community development investment securities at the local level in our performance context research, community contact work, or our review of the CRA performance evaluations of competing banks. Local CRA investment opportunities primarily consist of contributions to organizations with a community development purpose.

## **SERVICE TEST**

### **Conclusion**

The bank's Service Test performance in North Dakota is rated "Low Satisfactory."

### **Retail Banking Services**

*(Refer to Table 12 in 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 reasonably accessible to geographies and individuals of different income levels throughout the AA. The bank has one branch office and one ATM located in a middle-income geography. It also has one ATM located in an upper-income area. The AA does not contain any low- or moderate-income tracts. Fifty-two percent of the population in the AA, and 61% of low- and moderate-income (LMI) families, reside in middle-income geographies.

Business hours and services offered are reasonable. The lobby and drive up are open six days a week. One ATM accepts deposits and has 24-hour access. The branch office has Bremer's complete line of products and services available, as well as an in-house lender.

Alternative delivery systems include a 24-hour telephone service and an Internet banking service. The telephone banking service allows customers to check balances, review account history, transfer funds, initiate stop payment orders, and check CD and loan rates. The Internet banking service offers similar features in addition to accepting loan payments and processing bill payment requests.

Alternative delivery systems did not influence service test performance, as the bank could not demonstrate the impact of these systems in LMI geographies or the use of these systems by LMI individuals.

### **Community Development Services**

Bremer provides an adequate level of community development services. During the evaluation period, the bank provided qualifying services to six organizations. Services primarily consist of providing technical expertise and serving on the Board of Directors for organizations that promote economic development and provide services to LMI 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 non-metropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD Loans): 01/01/1998 to 12/31/2000 Investment and Service Tests and CD Loans: 9/22/1998 to 12/31/2000	
<b>Financial Institution</b>		<b>Products Reviewed</b>
Bremer Bank, National Association (Bremer) Alexandria, Minnesota		Home Mortgage, Small Business, Small Farm and Community Development Loans Qualified Investments
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
Bremer Financial Corporation (BFC) Otto Bremer Foundation (OBF) Bremer Services, Inc.	Parent of Bremer Holding Company Affiliate	None CD Investments ATMs
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
State of Minnesota Alexandria AA	Full-Scope	
State of North Dakota Wahpeton AA	Full-Scope	

## Appendix B: Summary of State Ratings

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

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

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

# Appendix C: Market Profiles for Full-Scope Areas

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

State of Minnesota.....	C-2
State of North Dakota .....	C-4

# State of Minnesota

## Alexandria Assessment Area (AA)

Demographic Information for Full Scope Area: Alexandria AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	39	0.00	7.69	89.74	2.56	0.00
Population by Geography	118,992	NA	7.31	89.36	3.33	NA
Owner-Occupied Housing by Geography	34,742	NA	7.71	88.75	3.54	NA
Business by Geography	6,773	NA	4.05	94.67	1.28	NA
Farms by Geography	2,159	NA	6.62	93.10	0.28	NA
Family Distribution by Income Level	32,415	20.93	20.53	25.44	33.11	NA
Distribution of Low- and Moderate-Income Families throughout AA Geographies	13,437	NA	9.99	88.17	1.84	NA
Median Family Income HUD Adjusted Median Family Income for 2001 Households Below Poverty Level		28,933 47,100 15.91%	Median Housing Value Unemployment Rate for State of Minnesota (September 2001)		46,125 3.3%	

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 1990 US Census, 2001 HUD updated MFI, and the US Department of Labor

Bremer has one AA in Minnesota - the Alexandria AA. It is a non-metropolitan area, which consists of seven whole counties (Douglas, Grant, Otter Tail, Pope, Stevens, Traverse, and Wilkin). The area contains 39 geographies - three moderate-income, 35 middle-income, and one upper-income. The AA complies with regulatory guidelines and does not arbitrarily exclude any low- or moderate-income areas.

The Alexandria AA accounts for most bank activity. The area represents 88% of the bank's offices and ATMs, 98% of its deposits, and 96% of the loan originations considered during this evaluation period covered by this CRA evaluation. All products and services offered by Bremer are available in this AA. The AA has seven offices and fifteen ATMs.

The economy of the area is diversified with agriculture, manufacturing, retail trade, and tourism. Agricultural products are concentrated in corn and soybeans. Large employers in the AA are Douglas County Hospital, Douglas Machine, Tastefully Simple, Alexandria Extrusion, and the local technical college. The area is usually recession proof, but it is currently feeling the effects of the 2001 nationwide slow-down. Some areas along the Red River are still recovering from major flooding in 1997.

We contacted one economic development organization in the AA. The contact stated that banks were meeting area credit needs, but there was a need for affordable housing stock.

Community development opportunities in the assessment area are somewhat limited. We did not identify any significant opportunities for community development loans, investments, or services in our performance context research, community contact work, or our review of the CRA performance evaluations of competing banks. As evidenced by the bank's performance, community development opportunities primarily consist of loans, contributions, and service work with nonprofit organizations that have a community development purpose.

Bank competition is strong. There are 37 other financial institutions with offices in the AA. Bremer ranks first with a deposit market share of 15%. Primary competition includes Community First National Bank, Wells Fargo Bank Minnesota, National Association, and U.S. Bank, National Association with market shares of 11.8%, 11.4% and 4.6%, respectively.

# State of North Dakota

## Wahpeton AA

Demographic Information for Full Scope Area: Wahpeton AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	7	0.00	0.00	57.14	42.86	0.00
Population by Geography	18,148	NA	NA	51.81	48.19	NA
Owner-Occupied Housing by Geography	4,489	NA	NA	57.94	42.06	NA
Business by Geography	919	NA	NA	64.85	35.15	NA
Farms by Geography	391	NA	NA	54.99	45.01	NA
Family Distribution by Income Level	4,599	15.20	15.24	23.64	45.92	NA
Distribution of Low- and Moderate-Income Families throughout AA Geographies	1,400	NA	NA	60.64	39.36	NA
Median Family Income		26,194	Median Housing Value		43,075	
HUD Adjusted Median Family Income for 2001		41,000	Unemployment Rate for State of North Dakota (September 2001)		1.7%	
Households Below Poverty Level		13.68%				

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

Source: 1990 US Census, 2001 HUD updated MFI, and US Department of Labor

Bremer has one AA in North Dakota - the Wahpeton AA. It is a non-metropolitan area, which consists of Richland County. The AA contains four middle-income geographies and three upper-income geographies. The AA complies with regulatory guidelines and it does not arbitrarily exclude any low- or moderate-income areas.

The Wahpeton AA accounts for only a small portion of bank activity. The area represents 12% of the bank's offices and ATMs, 2% of its deposits, and 4% of the loan originations considered in this evaluation period. All products and services offered by Bremer are available in this AA. The AA has one office and two ATMs.

The local economy is highly dependent on agriculture (sugar beets, beans, and wheat) and related agri-businesses. Major employers are Minn-dak, Imation, and Primewood. The economy has slowed in the last 18 months with the low farm commodity prices and the 2001 nationwide economic slow-down. Some areas along the Red River are still recovering from major flooding in 1997.

A community contact with an agricultural government agency was favorable. The contact felt that banks were meeting area credit needs. However, he also indicated that there is a shortage of moderate priced housing in the area.

Community development opportunities in the assessment area are somewhat limited. We did not identify any significant opportunities for community development loans, investments or services in our performance context research, community contact work, or our review of the CRA performance evaluations of competing banks. As evidenced by the bank's performance, community development opportunities primarily consist of contributions and service work with nonprofit organizations that have a community development purpose.

Competition in the AA is strong. There are seven other financial institutions with offices in the AA. Bremer ranks eighth in deposit market share with 2.4% of the AA's deposits. Primary competitors include Community First National Bank, Wells Fargo Bank North Dakota, National Association, U.S. Bank, National Association, and Gate City Bank with market shares of 35.2%, 25.6%, 12.5% and 9.2%, respectively.

## **Appendix D: Tables of Performance Data**

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<b>CONTENT OF STANDARDIZED TABLES.....</b>	<b>D-2</b>
<b>TABLES OF PERFORMANCE DATA.....</b>	<b>D-4</b>

## Content of Standardized Tables

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A separate set of tables is provided for each state. 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 statements are applicable: purchased loans are treated as originations/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the 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 and purchased by the bank over the evaluation period by MSA/assessment area.
- 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** (not applicable)
- Table 4. Geographic Distribution of Home Mortgage Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Multifamily Loans** - See Table 2.
- 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.
- 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.
- 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 MSA/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** (not applicable)
- Table 10. Borrower Distribution of Home Mortgage 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, not used in this evaluation)** - 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 MSA/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.
- Table 15. Distribution of Branch and ATM 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 MSA/AA. The table also presents data on branch openings and closings in each MSA/AA.

**Table 1. Lending Volume**

LENDING VOLUME		Geography: MN & ND				Evaluation Period: JANUARY 1, 1998 TO DECEMBER 31, 2000 (Business and Farm Loans) JANUARY 1, 1999 TO DECEMBER 31, 2000 (Home Mortgage Loans)						
MA/Assessment Area (2000):	% 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>State of Minnesota</b>												
Alexandria AA (FS)	100.00	712	60,165	2,047	167,027	1,202	71,240	3	562	3,964	298,994	100.00
<b>State of North Dakota</b>												
Wahpeton AA (FS)	100.00	50	3,508	65	6,622	15	1,271	0	0	130	11,401	100.00

FS: Full Scope Review

\* Loan Data as of December 31, 2000. Rated area refers to either the state or multi-state MA rating area.

\*\* The evaluation period for Community Development Loans is From September 22, 1998 to December 31, 2000.

\*\*\* Deposit Data as of June 30, 2001. Rated Area refers to the state, multi-state MA, or institution, as appropriate.

**Table 2. Geographic Distribution of Home Purchase Loans**

Geographic Distribution: HOME PURCHASE		Geography: MN & ND				Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2000					Market Share (%) by Geography*				
MA/Assessment Area:	Total Home Purchase 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>State of Minnesota</b>															
Alexandria AA (FS)	350	100.00	NA	NA	7.71	1.14	88.75	97.43	3.54	1.43	NA	NA	NA	NA	NA
<b>State of North Dakota</b>															
Wahpeton AA (FS)	22	100.00	NA	NA	NA	NA	57.94	50.00	42.06	50.00	NA	NA	NA	NA	NA

FS: Full Scope Review

\* Based on 2000 Peer Mortgage Data: Midwest Region.

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

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

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

Geographic Distribution: HOME MORTGAGE REFINANCE		Geography: MN & ND				Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2000					Market Share (%) by Geography <sup>†</sup>				
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	Low	Mod	Mid	Upp
	#	% of Total <sup>**</sup>	% Owner Occ Units <sup>***</sup>	% BANK Loans	% Owner Occ Units <sup>***</sup>	% BANK Loans	% Owner Occ Units <sup>***</sup>	% BANK Loans	% Owner Occ Units <sup>***</sup>	% BANK Loans					
<b>State of Minnesota</b>															
Alexandria AA (FS)	358	100.00	NA	NA	7.71	0.84	88.75	98.60	3.54	0.56	NA	NA	NA	NA	NA
<b>State of North Dakota</b>															
Wahpeton AA (FS)	27	100.00	NA	NA	NA	NA	57.94	44.44	42.06	55.56	NA	NA	NA	NA	NA

FS: Full Scope Review

<sup>†</sup> Based on 2000 Peer Mortgage Data: Midwest Region.

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

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

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

Geographic Distribution: MULTIFAMILY		Geography: MN & ND					Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2000								
MA/Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography <sup>7</sup>				
	#	% of Total <sup>**</sup>	% of MF Units <sup>***</sup>	% BANK Loans	% MF Units <sup>***</sup>	% BANK Loans	% MF Units <sup>***</sup>	% BANK Loans	% MF Units <sup>***</sup>	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>State of Minnesota</b>															
Alexandria AA (FS)	4	100.00	NA	NA	2.66	0.00	93.91	100.00	3.43	0.00	NA	NA	NA	NA	NA
<b>State of North Dakota</b>															
Wahpeton AA (FS)	1	100.00	NA	NA	NA	NA	47.73	100.00	52.27	0.00	NA	NA	NA	NA	NA

FS: Full Scope Review

<sup>7</sup> Based on 2000 Peer Mortgage Data: Midwest Region.

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

<sup>\*\*\*</sup> Percentage of multifamily units is the number of multifamily housing units in a particular geography divided by number of multifamily housing units in the area based on 1990 Census information.

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

Geographic Distribution: SMALL LOANS TO BUSINESSES		Geography: MN & ND				Evaluation Period: JANUARY 1, 1998 TO DECEMBER 31, 2000									
MA/Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% of Businessess***	% BANK Loans	% of Businessess***	% BANK Loans	% of Businessess***	% BANK Loans	% of Businessess***	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>State of Minnesota</b>															
Alexandria AA (FS)	2,047	100.00	NA	NA	4.05	1.56	94.67	98.34	1.28	0.10	24.40	NA	3.57	28.74	2.82
<b>State of North Dakota</b>															
Wahpeton AA (FS)	65	100.00	NA	NA	NA	NA	64.85	55.38	35.15	44.62	11.47	NA	NA	12.46	13.68

FS: Full Scope Review)

\* Based on 2000 Peer Small Business Data: US & 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 (2001).

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

Geographic Distribution: SMALL LOANS TO FARMS		Geography: MN & ND					Evaluation Period: JANUARY 1, 1998 TO DECEMBER 31, 2000					Market Share (%) by Geography*				
MA/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>State of Minnesota</b>																
Alexandria AA (FS)	1,202	100.00	NA	NA	6.62	2.58	93.10	97.34	0.28	0.08	32.18	NA	28.57	38.40	6.67	
<b>State of North Dakota</b>																
Wahpeton AA (FS)	15	100.00	NA	NA	NA	NA	54.99	46.67	45.01	53.33	2.48	NA	NA	2.21	2.84	

FS: Full Scope Review

\* Based on 2000 Peer Small Business Data: US & 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 (2001).

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

Borrower Distribution: HOME PURCHASE		Geography: MN & ND					Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2000								
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*				
	#	% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	Overall	Low	Mod	Mid	Upp
<b>State of Minnesota</b>															
Alexandria AA (FS)	350	100.00	20.93	11.40	20.53	21.05	25.44	26.90	33.11	40.64	NA	NA	NA	NA	NA
<b>State of North Dakota</b>															
Wahpeton AA (FS)	22	100.00	15.20	5.00	15.24	20.00	23.64	20.00	45.92	55.00	NA	NA	NA	NA	NA

FS: Full Scope Review

\* Based on 2000 Peer Mortgage Data: Midwest Region.

\*\* As a percentage of loans with borrower income information available. No information was available for 2.69% of loans originated and purchased by the bank.

\*\*\* Percentage of Families is based on the 1990 Census information.

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

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

Borrower Distribution: HOME MORTGAGE REFINANCE		Geography: MN & ND					Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2000					Market Share*				
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers							
	#	% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	Overall	Low	Mod	Mid	Upp	
<b>State of Minnesota</b>																
Alexandria AA (FS)	358	100.00	20.93	7.04	20.53	21.13	25.44	31.55	33.11	40.28	NA	NA	NA	NA	NA	
<b>State of North Dakota</b>																
Wahpeton AA(FS)	27	100.00	15.20	3.70	15.24	0.00	23.64	11.11	45.92	85.19	NA	NA	NA	NA	NA	

FS: Full Scope Review

\* Based on 2000 Peer Mortgage Data: Midwest Region.

\*\* As a percentage of loans with borrower income information available. No information was available for 0.78% of loans originated and purchased by the bank.

\*\*\* Percentage of Families is based on the 1990 Census information.

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

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

Borrower Distribution: SMALL LOANS TO BUSINESSES									
Geography: MN & ND					Evaluation Period: JANUARY 1, 1998 TO DECEMBER 31, 2000				
MA/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>State of Minnesota</b>									
Alexandria AA (FS)	2,047	100.00	88.14	76.45	80.61	11.63	7.77	24.40	29.33
<b>State of North Dakota</b>									
Wahpeton AA (FS)	65	100.00	88.25	67.69	78.46	12.31	9.23	11.47	10.62

FS: Full Scope Review

\* Based on 2000 Peer Small Business Data: US & 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 - 2001).

\*\*\*\* 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 1.66% 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: MN & ND		Evaluation Period: JANUARY 1, 1998 TO DECEMBER 31, 2000					
MA/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 <sup>*</sup>	
	#	% of Total <sup>**</sup>	% of Farms <sup>***</sup>	% BANK Loans <sup>****</sup>	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev \$1 Million or Less
<b>State of Minnesota</b>									
Alexandria AA (FS)	1,202	100.00	97.31	96.59	84.19	12.23	3.58	32.18	32.50
<b>State of North Dakota</b>									
Wahpeton AA (FS)	15	100.00	96.93	100.00	73.33	26.67	0.00	2.48	2.53

FS: Full Scope Review

<sup>\*</sup> Based on 2000 Peer Small Business Data: US & PR.

<sup>\*\*</sup> 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.

<sup>\*\*\*</sup> Farms with revenues of \$1 million or less as a percentage of all farms (Source D&B - 2001).

<sup>\*\*\*\*</sup> 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 0.99% of small loans to farms originated and purchased by the bank.

**Table 14. Qualified Investments**

QUALIFIED INVESTMENTS									
				Geography: MN & ND		Evaluation Period: SEPTEMBER 22, 1998 TO DECEMBER 31, 2000			
MA/Assessment Area:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
<b>State of Minnesota</b>									
Alexandria AA (FS)	0	0	67	289	67	289	100.00	0	0
<b>State of North Dakota</b>									
Wahpeton AA (FS)	0	0	7	21	7	21	100.00	0	0

FS: Full Scope Review

\* 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

\*\* 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

**Table 15. Distribution of Branch and ATM Delivery System and Branch Openings**

DISTRIBUTION OF BRANCH AND ATM DELIVERY SYSTEM AND BRANCH OPENINGS				Geography: MN & ND				Evaluation Period: SEPTEMBER 22, 1998 TO DECEMBER 31, 2000									
MA/ Assessment Area:	Deposits	Branches						Branch Openings/Closings				Population					
	% of Rated Area Deposits in AA	# of BANK Branches s	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net Change in Locations of Branches (+ or -)				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
<b>State of Minnesota</b>																	
Alexandria AA (FS)	100.00	7	100.00	NA	0.00	100.00	0.00	0	1	NA	0	-1	0	NA	7.31	89.36	3.33
<b>State of North Dakota</b>																	
Wahpeton AA (FS)	100.00	1	100.00	NA	NA	100.00	0.00	0	0	NA	NA	0	0	NA	NA	51.81	48.19

FS: Full Scope Review