



## Public Disclosure

July 12, 1999

# Community Reinvestment Act Performance Evaluation

Bremer Bank, National Association  
Charter Number: 23289

321 Fourth Avenue  
International Falls, Minnesota 56649

Office of the Comptroller of the Currency

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

**NOTE:** This evaluation is not, and should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

## Table of Contents

<b>General Information</b> .....	3
<b>Definitions and Common Abbreviations</b> .....	4
<b>Overall CRA Rating</b> .....	6
<b>Description of Institution</b> .....	7
<b>Scope of Evaluation</b> .....	8
<b>Fair Lending Review</b> .....	10
<b>Conclusions with Respect to Performance Tests</b>	
Lending Test .....	11
Investment Test .....	15
Service Test .....	16
<b>Appendix A: Scope of Evaluation</b> .....	A-1
<b>Appendix B: Market Profiles for Areas Receiving Full-Scope Reviews</b> .....	A-2
<b>Appendix C: Tables of Performance Data</b> .....	A-4

## General Information

*The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.*

*This document is an evaluation of the CRA performance of **Bremer Bank, National Association** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **July 12, 1999**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.*

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

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

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

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

**Community Development (CD)** - Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 C.F.R. 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

**Community Reinvestment Act (CRA)** - The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

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

**Geography** - A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA)** - The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, withdrawn).

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

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

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

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

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

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

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

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

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

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

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

## Overall CRA Rating

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

The following table indicates the performance level of **Bremer Bank, National Association (BBNA)** 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		
Low Satisfactory			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:

- < BBNA's lending activity reflects good responsiveness to business credit needs.
- < The loan distribution to businesses of different sizes is good. A substantial majority of BBNA's business loan originations are to small businesses.
- < The geographic distribution of loans is adequate. A substantial majority of the bank's loan originations are in the International Falls AA.
- < BBNA's level of qualifying investments is excellent. BBNA provided a total of \$168,268 in qualifying investments during the evaluation period.
- < Retail delivery systems are reasonably accessible to geographies and individuals of different income levels.

## Description of Institution

Bremer Bank, National Association (BBNA) is a \$70 million intrastate institution located on the northern border of Minnesota. BBNA operates one office in International Falls, Minnesota. It also services three automated teller machines (ATMs) in its AA, including one deposit-taking ATM.

BBNA is a full-service bank, offering a variety of deposit and loan products. BBNA's primary loan products are commercial and residential real estate loans. This is evidenced by the distribution of outstanding loans, as well as the distribution of originations considered in this evaluation. As of June 30, 1999, BBNA's loan portfolio consisted of commercial (43%), residential real estate (38%), consumer (15%), and other (4%) loans. As of June 30, 1999, BBNA's ratio of net loans and leases to assets was 50% and its loan to deposit ratio was 55%. Tier 1 capital on that date was \$4.8 million. There are no financial, legal, or other factors which impede the bank's ability to meet its CRA obligations.

BBNA is owned by the Bremer Financial Corporation (BFC), a \$3 billion holding company headquartered in St. Paul, Minnesota. BFC has 14 national bank subsidiaries (with more than 85 banking locations) throughout Minnesota, North Dakota, and Wisconsin. Non-bank affiliates include trust, insurance, management, and operations service companies. BFC is owned by the Otto Bremer Foundation, a charitable trust. As a charitable trust, the Foundation must disperse at least 5% of its assets for charitable causes annually.

BBNA has one nonmetropolitan AA. The AA consists of Koochiching County. The AA meets the requirements of the regulation, and it does not arbitrarily exclude any low- or moderate-income geographies.

## Scope of Evaluation

### Evaluation Period/Products Evaluated

We examined BBNA using the large bank tests pursuant to the revised CRA regulation. This evaluation covers lending, investment, and service activities since the previous CRA examination (February 20, 1998) with the following exceptions and notations:

- o Our analysis of business lending included all 1997 and 1998 reported originations. We excluded year-to-date 1999 originations because data is reported and aggregated in whole years. We included 1997 originations because the data was not included in the previous evaluation.
- o Market comparisons for business lending are based on 1997 CRA data. At the time of the examination, 1998 information was available for BBNA, but not for the market in aggregate.
- o We placed more reliance on market demographics than market share analysis in our evaluation. BBNA was the AA's only local institution subject to large bank CRA data reporting in 1997. Loan information for the only other local bank (a branch of a large regional institution) was not reported in 1997 as it was under different ownership at that time. As of June 30, 1998, this competing institution had a deposit market share of 52% in Koochiching County and a deposit market rank of 1.
- o We did not analyze farm lending as part of this evaluation. There are only five farms in the AA. BBNA originates few farm loans. As of June 30, 1999, agriculture loans comprised less than 1% of BBNA's loan portfolio.
- o Our analysis of home mortgage loans included 1997 and 1998 originations. We chose this period to be consistent with other loan products. In addition, the bank has maintained a HMDA Loan Application Register since 1997 even though it is not required to do so.
- o Because BBNA is not a HMDA reporter, market comparisons for home mortgage lending are not available.
- o Our analysis of home mortgage loans did not include home improvement loans. Bank systems do not separately code this product.
- o We assigned the most weight to business loans in our evaluation. Business loans account for 74% of the bank's loan originations over the evaluation period.

- o Although the refinance product comprised 44% of the bank's home mortgage originations over the evaluation period, we gave it little weight in our overall assessment of home mortgage loans. This type of lending is primarily used to decrease a borrower's cost of credit, and it is not unusual to have weaker borrower income distributions. 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 it is likely the low- and moderate-income sectors have a higher proportion of small dollar loans given the direct correlation between income and debt service ability.
- o At the bank's request, we considered qualified investments of the affiliated Otto Bremer Foundation in the bank's "Investment Test" assessment.
- o At the bank's request, we considered automated teller machines (ATMs) owned by the affiliated Bremer Services, Incorporated in the bank's "Service Test" assessment.

### **Data Integrity**

- o We identified some reporting errors in the bank's CRA Disclosure Statements. The bank revised the data. After validating its accuracy, we used the revised information in our analysis of business lending. We also adjusted the aggregate loan data released by the Federal Financial Institutions Examination Council (FFIEC) for the bank's reporting errors.
- o After validating the accuracy of the bank's HMDA Loan Application Register, we used this information in our evaluation.

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

- o We performed a full-scope review of the International Falls AA, the bank's only AA. BBNA has a 38% deposit market share in Koochiching County (and a deposit market rank of 2) as of June 30, 1998.
- o Refer to the table in Appendix A for more information regarding the examination scope.

## **Fair Lending Review**

Examiners did not identify any instances of illegal discrimination or discouragement in a fair lending review conducted in 1998. The review compared loan terms and conditions, using gender as the prohibited basis, on conventional home purchase loans between January 1, 1997 and August 31, 1998.

## Conclusions with Respect to Performance Tests

### LENDING TEST

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

The bank's performance under the Lending Test is rated "High Satisfactory" based on our full-scope review of the International Falls AA.

#### **Lending Activity**

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

Lending levels reflect good responsiveness to business credit needs, especially in light of the AA's economic conditions and the bank's size. BBNA originated 347 reportable business loans (totaling \$20 million) during the evaluation period. A substantial majority of these loans (307 or 88%) were in the International Falls AA. BBNA originated 81% of all reported 1997 business loans in this AA, ranking first of ten reporting lenders. None of the other ten reporting lenders has an office in Koochiching County. As of June 30, 1998, BBNA had deposits of \$63 million from Koochiching County. BBNA's deposit market share was 38%, and its deposit market rank was 2.

As of June 30, 1999, BBNA's loan-to-deposit ratio was 55%. The only other bank with an office in International Falls is Northland Community Bank. The competitor's loan-to-deposit ratio (77%) is higher, but it also has an office in Northome (approximately 70 miles away in the southern part of Koochiching County). While there are some similarities in the International Falls and Northome markets, BBNA has little lending presence in the Northome area. Therefore, the comparability of these banks' loan-to-deposit ratios is limited.

Home mortgage lending levels appear adequate. BBNA originated 100 home mortgage loans (totaling \$6 million) during the evaluation period. A substantial majority of these loans (98 or 98%) were in the bank's AA.

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

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

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

The distribution of loans to businesses of different sizes is good. Our assessment gives more emphasis to market demographics as BBNA was the only bank in the AA subject to large bank reporting requirements in 1997. BBNA made 262 (or 85%) of its 307 reported business loans to businesses with gross annual revenues of \$1 million or less (i.e. small businesses). Bank performance is better than AA demographics - 76% of AA businesses are small, but 17% of the businesses did not report revenue information. Of the businesses that reported revenue information, 92% are small. Bank performance is substantially better than other lenders who reported loans in the International Falls AA. In aggregate, other lenders made 18% of their 1997 business loans to small businesses.

Of all banks subject to CRA data reporting, BBNA originated the most loans to small businesses (those with gross annual revenues of \$1 million or less) in the International Falls AA. BBNA made 123 (or 95%) of the 129 reported loans to small businesses in 1997.

The bank's willingness to make loans to small businesses is further evidenced by a good loan size distribution. BBNA made 84% of its reported business loans in amounts of \$100 thousand or less, with an average loan size of \$58 thousand. Bank performance is slightly less than other lenders who reported loans in the International Falls AA. In aggregate, other lenders made 94% of their 1997 business loans in amounts of \$100 thousand or less, with an average loan size of \$22 thousand.

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

*(Refer to Tables 7, 8 and 9 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations.)*

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

Bank performance involving home purchase loans to moderate-income borrowers is excellent. The percentage of home purchase loans to moderate-income borrowers (23%) exceeds the percentage of moderate-income families in the AA (20%).

Bank performance involving home purchase loans to low-income borrowers is poor. The percentage of home purchase loans to low-income borrowers (6%) is much less than the percentage of low-income families in the AA (20%).

Bank performance involving refinance loans is poor. BBNA originated only 3% of its refinance loans to low-income borrowers and another 3% to moderate-income borrowers. This is much less than the percentage of low- and moderate-income families in the AA.

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

Our geographic distribution analysis included a review for any lending gaps in the International Falls AA, particularly in low-income areas. We did not identify any unexplained gaps.

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

*(Refer to Table 5 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's small business loan originations.)*

The geographic distribution of small business loans is adequate given the distribution of businesses in the International Falls AA. There are no businesses located in the AA's one low-income BNA. Accordingly, BBNA had almost no small business loan activity in this BNA during the evaluation period. The distribution of BBNA's small business loans between middle- and upper-income geographies approximates the distribution of businesses located in these geographies.

BBNA originated a substantial majority of its small business loans (88%) to businesses in its AA.

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

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

The geographic distribution of home mortgage loans is adequate given the distribution of owner-occupied housing units in the AA. There are only 29 owner-occupied housing units located in the AA's one low-income BNA. This is less than 1% of all owner-occupied housing units in the AA. BBNA did not originate any of its 98 home mortgage loans in the low-income BNA. BBNA originated almost all (99%) of its home mortgage loans in middle-income geographies. Ninety percent of owner-occupied housing units are located in middle-income geographies.

BBNA originated a substantial majority of its home mortgage loans (98%) to borrowers in its AA.

**Community Development Lending**

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

The bank did not originate any community development loans during the evaluation period.

## INVESTMENT TEST

### Conclusions for Areas Receiving Full-Scope Reviews

*(Refer to Table 12 in Appendix C for the facts and data used to evaluate the bank's level of qualified investments.)*

The bank's performance under the Investment Test is rated "Outstanding" based on our full-scope review of the International Falls AA.

We did not identify any opportunities for qualified investment securities that specifically targeted the bank's AA over the evaluation period. In addition, the opportunities for community development grants and donations are also limited in this remote, sparsely populated area.

BBNA's level of qualified investments is excellent given the bank's capacity and very limited investment opportunities. Qualifying investments in the AA total \$168,268. This represents 3.5% of the bank's Tier 1 capital. Virtually all of the investments attributed to the bank are grants made by the affiliated Otto Bremer Foundation. None of the investments are considered innovative or complex, and all are routinely provided by private investors.

BBNA provided grants primarily to organizations which provide social services to LMI people. The following are examples of BBNA's qualified investments.

- < BBNA provided a \$40,000 grant to a nonprofit organization that provides specially equipped residences for people with developmental disabilities. Most of these individuals are low- or moderate-income.
- < BBNA provided a \$20,000 grant to the local Salvation Army to assist with their relocation to a new facility. The Salvation Army provides food, clothing, temporary shelter and support to individuals in need - primarily low- and moderate-income people.
- < BBNA provided \$30,000 in grants to a local nonprofit organization to help increase employment opportunities for people with mental illnesses. Most of these individuals are low- or moderate-income.

## SERVICE TEST

### Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Service Test is rated "Low Satisfactory" based on our full-scope review of the International Falls AA.

#### Retail Banking Services

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

Service delivery systems are reasonably accessible to individuals of different income levels. BBNA's single full-service office is located in a middle-income geography. All three ATMs serviced by BBNA are also located in middle-income geographies. Middle-income geographies contain 91% of the AA's population and 93% of the AA's LMI families. The only low-income geography in the International Falls AA is very sparsely populated, and the lack of bank facilities in this BNA is not unreasonable.

BBNA's business hours are reasonable. The main office and drive-up facility are open until 5:00 p.m. on weekdays. The drive-up facility is open from 8:30 a.m. until noon on Saturdays. A full-service ATM is available 24 hours per day at the main office.

BBNA offers a wide variety of traditional banking products and services. Product offerings include a free consumer checking account with no minimum balance. BBNA does not charge its customers ATM maintenance fees or transaction fees on proprietary ATMs. Bank services include a 24-hour telephone banking service (account inquiries, transfers and loan payments) and accessibility to an interpreter for any nonEnglish language. The bank does not gather income information from the users of these products and services, so we could not place significant weight on these offerings. However, it is likely these products and services enhance accessibility to LMI individuals.

BBNA did not open or close any branches during the evaluation period.

## **Community Development Services**

BBNA provided a limited level of community development services. During the evaluation period, three employees were involved in three community development services with three organizations. The bank provided the following community development services:

- < One bank officer is a board member of Koochco Inc., an organization that promotes small business growth and expansion in Koochiching County.
- < A bank officer is the President of Mainstreet, Inc. The organization plans to provide low-interest financing to small businesses for renovation of the downtown business district.
- < Another officer is a board member of the local Salvation Army, an organization which provides assistance to LMI individuals.

BBNA also offers a low-transaction fee checking account tailored to the needs of community and nonprofit organizations.

## Appendix A: Scope of Evaluation

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: January 1, 1997 to December 31, 1998* Investment Test: February 21, 1998 to July 12, 1999 Service Test: February 21, 1998 to July 12, 1999	
<b>Financial Institution</b>	<b>Loan Products Reviewed</b>	
Bremer Bank, National Association (BBNA) International Falls, Minnesota	Small Business, Small Farm, Home Mortgage, Community Development	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Activities Reviewed</b>
Otto Bremer Foundation Bremer Services, Inc.	Parent Company Sister Company	Qualified Investments Automated Teller Machines
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
International Falls AA	Full-Scope	Koochiching County, MN; nonmetropolitan

\* The time period for community development lending was February 21, 1998 to July 12, 1999.

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

### International Falls Assessment Area

Demographic Information for Full-Scope Area: International Falls Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts/BNAs)	6	16%	n/a	67%	17%	n/a
Population by Geography	16,299	1%	n/a	91%	8%	n/a
Owner-Occupied Housing by Geography	4,695	1%	n/a	90%	9%	n/a
Businesses by Geography	453	0%	n/a	96%	4%	n/a
Farms by Geography	5	0%	n/a	100%	0%	n/a
Family Distribution by Income Level	4,307	20%	20%	21%	39%	n/a
Distribution of Low- and Moderate-Income Families throughout AA Geographies	1,709	1%	n/a	93%	6%	n/a
Median Family Income (MFI)	= \$28,933	Median Housing Value				= \$41,439
HUD Adjusted Median Family Income for 1998	= \$40,500	Unemployment Rate **				= 8.7%
Households Below the Poverty Level	= 12.1%					

Source: 1990 U.S. Census and 1998 HUD updated MFI.

(\*\*) Minnesota Department of Trade and Economic Development

The International Falls AA consists of Koochiching County, Minnesota. Koochiching County encompasses approximately 3,300 acres, most of which is state forest land. The county has six BNAs. One is a low-income geography, four are middle-income, and one is upper-income. The estimated 1996 population of the county was 16,000, and the City of International Falls was 7,800.

Current economic conditions are fair and stable. The local economy remains highly dependant on the logging and tourism industries. The Boise Cascade paper plant is the largest local employer (approximately 1,200 employees) followed by the school district and United Healthcare (approximately 300 employees each). The AA's population has been declining for some time due to the limited employment opportunities and stagnant economic conditions. The August 1999 unemployment rate was a 5.1%. The vacancy rate for housing units (23%) is also high.

Competition among banking and financial service providers in the AA is strong. International Falls is served by two full-service banks and a credit union. Another

full-service bank operates offices in the Cities of Big Falls and Northome which are located in the central and southern portions of Koochiching County.

The primary credit needs of the community are commercial, residential real estate, and consumer loan products. As part of this evaluation, we contacted two community members to discuss local economic conditions and the performance of local financial institutions. One contact who works with various government programs to provide assistance to low- and moderate-income individuals noted the area's weak economic conditions and limited number of job opportunities. The contact stated there is ample housing available in the AA, however many of the homes for sale need renovation. Further, housing rehabilitation loans and programs available to renovate local homes are underutilized. The second contact, a director of a local community organization, confirmed the need for more businesses and jobs in the area. Both contacts indicated that local financial institutions did a good job of serving the community.

## Appendix C: Tables of Performance Data

---

### Content of Standardized Tables

The tables cover the entire CRA evaluation period. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to Appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: purchased loans are treated as originations; market rank is based on the number of loans made by the bank as compared to all other lenders in the MSA/assessment area; and market share is the number of loans originated by the bank as a percentage of the aggregate number of reportable loans originated by all lenders in the MSA/assessment area. The following is a listing and brief description of the tables included in each set:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated by the bank over the evaluation period by MSA/assessment area.
- Table 2. Geographic Distribution of HMDA Home Purchase Loan Originations** - Compares the percentage distribution of the number of loans originated by the bank in low-, moderate-, middle- and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of HMDA Home Improvement Loan Originations** - See Table 2.
- Table 4. Geographic Distribution of HMDA Refinance Loan Originations** - See Table 2.
- Table 5. Geographic Distribution of Small Business Loan Originations** - The percentage distribution of the number of small loans (< \$1 million) to businesses originated by the bank in low-, moderate-, middle- and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 6. Geographic Distribution of Small Farm Loan Originations** - The percentage distribution of the number of small loans (< \$500,000) to farms originated by the bank in low-, moderate-, middle- and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.

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

**Table 1. Lending Volume**

LENDING VOLUME												State: Minnesota		Evaluation Period: January 1, 1997 to December 31, 1998	
MSA/Assessment Area:	% of Total Bank Deposits in Rated Area	Home Mortgage		Small Business		Small Farm		Community Development		Total Reported Loans		% of Total Reported Bank Loans in Rated Area			
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)				
Full-Scope:															
International Falls AA	100%	98	\$5,832	307	\$17,682	10	\$128	0	\$0	415	\$23,642	100%			
Limited-Scope:															

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

Geographic Distribution: HOME PURCHASE LOANS										State: Minnesota		Evaluation Period: January 1, 1997 to December 31, 1998				
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Purchase Loans	
	% Owner Occ Units	% BBNA Loans**	% Owner Occ Units	% BBNA Loans**	% Owner Occ Units	% BBNA Loans**	% Owner Occ Units	% BBNA Loans**		Overall	Low	Mod	Mid	Upp	#	% of Total
Full-Scope:																
International Falls AA	1%	0%	n/a	n/a	90%	98%	9%	2%	n/a	n/a	n/a	n/a	n/a	n/a	55	100%
Limited-Scope:																

(\*) Based on 1997 Aggregate HMDA Data only.

(\*\*) As a percentage of loans with geocode information available. Geocode information was not available for 15% of BBNA loans originated in the International Falls AA.



**Table 4. Geographic Distribution of Home Mortgage Refinance Loan Originations**

Geographic Distribution: HOME MORTGAGE REFINANCE LOANS																	State: Minnesota		Evaluation Period: January 1, 1997 to December 31, 1998	
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Mortgage Refinance Loans					
	% Owner Occ Units	% BBNA Loans**	% Owner Occ Units	% BBNA Loans**	% Owner Occ Units	% BBNA Loans**	% Owner Occ Units	% BBNA Loans**		Overall	Low	Mod	Mid	Upp	#	% of Total				
Full-Scope:																				
International Falls AA	1%	0%	n/a	n/a	90%	100%	9%	0%	n/a	n/a	n/a	n/a	n/a	n/a	43	100%				
Limited-Scope:																				

(\*) Based on 1997 Aggregate HMDA Data only.  
 (\*\*) As a percentage of loans with geocode information available. Geocode information was not available for 12% of BBNA loans originated in the International Falls AA.

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

Geographic Distribution: SMALL BUSINESS LOANS																	State: Minnesota		Evaluation Period: January 1, 1997 to December 31, 1998	
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Small Business Loans					
	% of Businesses	% BBNA Loans	% of Businesses	% BBNA Loans	% of Businesses	% BBNA Loans	% of Businesses	% BBNA Loans		Overall	Low	Mod	Mid	Upp	#	% of Total				
Full-Scope:																				
International Falls AA	0%	0%	n/a	n/a	96%	97%	4%	3%	1	81%	0%	n/a	83%	70%	307	100%				
Limited-Scope:																				

(\*) Based on 1997 Aggregate Small Business Data only.

**Table 6. Geographic Distribution of Small Farm Loan Originations**

Geographic Distribution: SMALL FARM LOANS																	State: Minnesota		Evaluation Period: January 1, 1997 to December 31, 1998	
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Small Farm Loans					
	% of Farms	% BBNA Loans	% of Farms	% BBNA Loans	% of Farms	% BBNA Loans	% of Farms	% BBNA Loans		Overall	Low	Mod	Mid	Upp	#	% of Total				
Full-Scope:																				
International Falls AA	0%	0%	n/a	n/a	100%	100%	0%	0%	1	100%	n/a	n/a	100%	n/a	10	100%				
Limited-Scope:																				

(\*) Based on 1997 Aggregate Small Farm Data only.

**Table 7. Borrower Distribution of Home Purchase Loan Originations**

Borrower Distribution: HOME PURCHASE LOANS																State: Minnesota		Evaluation Period: January 1, 1997 to December 31, 1998	
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank*	Market Share by Borrower Income**					Total Home Purchase Loans				
	% of Families	% BBNA Loans*	% of Families	% BBNA Loans*	% of Families	% BBNA Loans*	% of Families	% BBNA Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total			
Full-Scope:																			
International Falls AA	20%	6%	20%	23%	21%	45%	39%	26%	n/a	n/a	n/a	n/a	n/a	n/a	55	100%			
Limited-Scope:																			

(\*) As a percentage of loans with borrower income information available. Borrower income information was not available for 15% of BBNA loans originated in the International Falls AA.  
 (\*\*) Based on 1997 Aggregate HMDA Data only.



**Table 9. Borrower Distribution of Home Mortgage Refinance Loan Originations**

Borrower Distribution: HOME MORTGAGE REFINANCE LOANS																	State: Minnesota		Evaluation Period: January 1, 1997 to December 31, 1998	
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank*	Market Share by Borrower Income**					Total Home Mortgage Refinance Loans					
	% of Families	% BBNA Loans*	% of Families	% BBNA Loans*	% of Families	% BBNA Loans*	% of Families	% BBNA Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total				
Full-Scope:																				
International Falls AA	20%	3%	20%	3%	21%	47%	39%	47%	n/a	n/a	n/a	n/a	n/a	n/a	43	100%				
Limited-Scope:																				

(\*) As a percentage of loans with borrower income information available. Borrower income information was not available for 12% of BBNA loans originated in the International Falls AA.  
 (\*\*) Based on 1997 Aggregate HMDA Data only.

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

Borrower Distribution: SMALL BUSINESS LOANS			State: Minnesota		Evaluation Period: January 1, 1997 to December 31, 1998						
MSA/Assessment Area:	Businesses with Revenues of \$1 million or less			Loans by Original Amount Regardless of Business Size			Market Share****		Total Small Business Loans		
	% of Businesses*	% BBNA Loans**	% Market Loans***	\$100,000 or Less	> \$100,000 to \$250,000	> \$250,000 to \$1,000,000	All	Rev \$1 million or less	#	% of Total	Avg Loan Size
Full-Scope:											
International Falls AA	76%	85%	18%	84%	12%	4%	81%	95%	307	100%	\$58
Limited-Scope:											

(\*) As a percentage of all businesses in the AA. Revenue information was not available for 17% of the businesses in the International Falls AA.  
 (\*\*) As a percentage of all BBNA loans. Revenue information was not available for 3% of the loans originated by BBNA.  
 (\*\*\*) The market consists of all other Small Business reporters in BBNA's assessment area and is based on 1997 Aggregate Small Business Data only.  
 (\*\*\*\*) Based on 1997 Aggregate Small Business Data only.

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

Borrower Distribution: SMALL FARM LOANS			State: Minnesota	Evaluation Period: January 1, 1997 to December 31, 1998							
MSA/Assessment Area:	Farms with Revenues of \$1 million or less			Loans by Original Amount Regardless of Farm Size			Market Share****		Total Small Farm Loans		
	% of Farms*	% BBNA Loans**	% Market Loans***	\$100,000 or Less	> \$100,000 to \$250,000	> \$250,000 to \$500,000	All	Rev \$1 million or less	#	% of Total	Avg Loan Size
Full-Scope:											
International Falls AA	100%	80%	n/a	100%	0%	0%	100%	100%	10	100%	\$13
Limited-Scope:											

(\*) As a percentage of all farms in the AA. Revenue information was available for 100% of the farms in the International Falls AA.  
 (\*\*) As a percentage of all BBNA loans. Revenue information was not available for 10% of loans originated by BBNA.  
 (\*\*\*) The market consists of all other Small Farm reporters in BBNA's assessment area and is based on 1997 Aggregate Small Farm Data only.  
 (\*\*\*\*) Based on 1997 Aggregate Small Farm Data only.

**Table 12. Qualified Investments**

QUALIFIED INVESTMENTS									
			State: Minnesota	Evaluation Period: February 21, 1998 to July 12, 1999					
MSA/Assessment Areas:	Prior Period Investments*			Current Period Investments			Total Investments		
	#	\$ (000's)	%**	#	\$ (000's)	%**	#	\$ (000's)	% of Total \$'s
Full-Scope:									
International Falls AA	0	\$0	0%	35	\$168	100%	35	\$168	100%
Limited-Scope:									

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

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

DISTRIBUTION OF BRANCH AND ATM DELIVERY SYSTEM				State: Minnesota				Evaluation Period: February 21, 1998 to July 12, 1999									
MSA/Assessment Area:	Deposits	Branches						ATMs				Population					
	% of Total BBNA Deposits	# of BBNA Branches	% of Total BBNA Branches	Location of Branches by Income of Geographies				# of BBNA ATMs	% of Total BBNA ATMs	Location of ATMs by Income of Geographies				% of the Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
Full-Scope:																	
International Falls AA	100%	1	100%	0%	n/a	100%	0%	3	100%	0%	n/a	100%	0%	1%	n/a	91%	8%
Limited-Scope:																	