



Public Disclosure

July 12, 1999

Community Reinvestment Act Performance Evaluation

Bremer Bank, National Association
Charter Number: 23290

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South St. Paul, Minnesota 55075

Office of the Comptroller of the Currency

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

Table of Contents

General Information	3
Definitions and Common Abbreviations	4
Overall CRA Rating	6
Description of Institution	7
Scope of Evaluation	8
Fair Lending Review	10
Conclusions with Respect to Performance Tests	
Lending Test	11
Investment Test	17
Service Test	19
Appendix A: Scope of Evaluation	A-1
Appendix B: Market Profiles for Areas Receiving Full-Scope Reviews	A-2
Appendix C: Tables of Performance Data	A-5

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 has an excellent level of qualified investments. BBNA made 392 qualifying grants (totaling nearly \$8 million) over the evaluation period. This represents 23% of the bank’s Tier 1 capital.
- < Lending activity reflects good responsiveness to business credit needs and adequate responsiveness to home mortgage needs. A significant majority the bank’s loan originations were in the assessment area.
- < The overall loan distribution to home mortgage borrowers of different income levels is excellent.
- < The loan distribution to businesses of different sizes is adequate.
- < The geographic distribution of loans is adequate.
- < BBNA has an excellent level of community development loans.
- < Retail delivery systems are reasonably accessible to individuals and geographies of different income levels.
- < BBNA provides an adequate level of community development services.

Description of Institution

Bremer Bank, National Association (BBNA) is a \$448 million intrastate institution located in South St. Paul, Minnesota. The bank has nine branches located on the Minnesota side of MSA #5120. The bank also has 33 ATMs located in this portion of the MSA.

BBNA is a full-service bank, offering a variety of deposit and loan products. Loans represent 69% of bank assets. The bank's lending focus is primarily business credit. This is evidenced by the distribution of outstanding loans, as well as the distribution of its originations considered in this evaluation. As of June 30, 1999, BBNA's loan portfolio consisted of: commercial real estate (41%); commercial (32%); residential real estate (14%); consumer (8%); municipal (3%); and other (2%) loans. BBNA's loan-to-deposit ratio was 109% as of June 30, 1999. Although this is primarily a liquidity measurement, it does indicate the bank's willingness to lend. Tier 1 capital totaled \$35 million as of that date.

There are no financial, legal or other factors which impede the bank's ability to meet its CRA obligations. Bremer Financial Corporation (BFC), the bank's holding company, made a strategic move in 1997 to boost the bank's presence in the competitive Twin Cities market. BFC injected additional capital into BBNA which increased its legal lending limit and enabled it to offer larger commercial loans. BBNA has not had merger or acquisition activity over the evaluation period. On June 16, 1999, the Federal Reserve granted approval for BFC to purchase the financial institutions of another holding company. These financial institutions are expected to be merged into BBNA prior to year-end 1999. The offices of the acquired institutions are also located on the Minnesota side of MSA #5120. There are no other affiliate activities or relationships that impacted BBNA's CRA performance over the evaluation period.

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 AA - the Minneapolis-St. Paul, MN-WI MSA #5120. The AA includes Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington and Wright Counties in Minnesota. It also includes Pierce and St. Croix Counties in Wisconsin.

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 dated January 30, 1995, with the following exceptions and notations:

- o Our analysis of business and farm 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 also excluded 1996 originations because the bank used a different geocoding system in that year. Business and farm lending information was not publicly reported prior to 1996.
- o Market comparisons for business and farm 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 share analysis than market demographics in our evaluation. Local banks subject to large bank CRA reporting account for more than 76% of the deposits in the AA.
- o Our analysis of home mortgage loans included 1997 and 1998 originations. We chose this time period to be consistent with other loan products.
- o Our analysis of home mortgage loans did not include home improvement loans. Bank systems do not separately code this product.
- o We did not evaluate farm lending as it is not a major bank product. Farm loan originations account for less than 4% of the loan originations considered during this evaluation period. In addition, farm lending is not an identified credit need in this AA. MSA #5120 is primarily an urban area with little agricultural land.
- o We weighted business loans and home purchase loans nearly equally. We gave slightly more emphasis to business loans as they represented a larger dollar volume of loan originations and outstanding loans. The number of business loan originations (462) was also slightly more than home purchase loan originations (385) over the evaluation period.

- o Although the refinance product comprised 48% 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 borrower income distributions that are more heavily weighted toward middle- and upper-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 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 and farm lending. We also adjusted the aggregate loan data released by the Federal Financial Institutions Examination Council (FFIEC) to account 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. We noted one reporting error involving overstated home mortgage refinance originations. However, we did not ask the bank to revise the data given the relatively low significance the product carries in the bank's overall CRA evaluation.

Selection of Areas for Full-Scope Review/Ratings

- o We performed a full-scope review of the Minneapolis/St. Paul MSA #5120, the bank's only assessment area.
- o Refer to the table in Appendix A for more information regarding the examination scope.

- o We did not assign a separate rating to MSA #5120 or the State of Minnesota as all the bank's branches are located in the Minnesota segment of MSA #5120.

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 MSA #5120.

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 adequate responsiveness to home mortgage credit needs. Community contacts cited the need for affordable housing in the AA. BBNA originated 756 home mortgage loans (totaling \$84 million) during the evaluation period. A substantial majority of these loans (740 or 98%) were in MSA #5120. BBNA originated less than 1% of all 1997 HMDA loans in MSA #5120. Competition is very strong for home mortgage loans. In 1997, there were 444 lenders who reported home purchase loans in MSA #5120. The market leader generated only 16% of all home purchase loans.

Lending levels reflect good responsiveness to business credit needs. Business credit is an identified need in the AA. BBNA is considerably smaller in total assets and resources than the market leaders, yet it generated a good volume of business loans. BBNA originated 481 reportable business loans (totaling \$87 million) during the evaluation period. A substantial majority of these loans (462 or 96%) were originated in MSA #5120. BBNA originated 1% of all reported 1997 business loans in the AA, ranking 16 of 168 reporting lenders. This is also a very competitive market for business loans. The top five lenders have individual market shares ranging between 11% and 16%. Two affiliated U.S. Banks and two other affiliated banks (Norwest Bank MN and Wells Fargo Bank, NA) dominate the market. These banks had more than 10,000 reported business loans combined and a resulting market share of 46%. In addition, there are numerous small institutions that are not subject to large bank reporting requirements that compete for business loans.

BBNA's lending market share ratios are consistent with its combined deposit market share for the entire AA (< 1%).

Distribution of Loans by Income Level of the Borrower

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 excellent.

Bank performance involving moderate-income borrowers is excellent. The percentage of home purchase loans to moderate-income borrowers (38%) and the percentage of refinance loans to moderate-income borrowers (20%) exceeds market demographics - 18% of the families in MSA #5120 are moderate-income.

Bank performance involving home purchase loans to low-income borrowers is also excellent. The percentage of home purchase loans to low-income borrowers (16%) is nearly equal the percentage of low-income families in the AA (17%). This performance is especially favorable in light of the AA's high cost of housing. According to Minneapolis Area Association of Realtors, the average home sales price was \$143,500 at year-end 1998. Housing costs have increased an average of seven percent per year during the 1990's.

Bank performance involving refinance loans to low-income borrowers is poor. The percentage of refinance loans to low-income borrowers (6%) is much less than the percentage of low-income families in the AA (17%).

The bank's market share data for both products is less than one percent across all income levels. However, as discussed in the **Lending Activity** section, there is strong competition in this market.

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 adequate. Our assessment gives more emphasis to market share analysis as numerous local institutions are subject to large bank CRA reporting requirements. BBNA made 245 (or 53%) of its 462 reported business loans to entities with gross annual revenues of \$1 million or less (i.e. small businesses). Bank performance is less than AA demographics - 72% of businesses are small. Of the businesses that report revenue information, 87% are small. Bank performance is, however, substantially better than other lenders who reported loans in MSA #5120. In aggregate, other lenders made only 38% of their 1997 reported business loans to small businesses.

Of all banks subject to CRA data reporting, BBNA ranked fifteenth (of 168 lenders) in loan originations to small businesses in MSA #5120. BBNA originated 1% (113 of 8,585) of the reported loans to small businesses in 1997. This ratio equals the bank's overall business loan market share.

The bank's willingness to make loans to small businesses is evidenced by an adequate loan size distribution. BBNA originated 59% of its reported business loans in amounts of \$100 thousand or less, with an average loan size of \$181 thousand. Bank performance is less than other lenders who reported loans in MSA #5120. In aggregate, other lenders made 84% of their 1997 business loans in amounts of \$100 thousand or less, with an average loan size of \$73 thousand.

Small Farm Loans

(Refer to Table 11 in the Appendix C for the facts and data used to evaluate the borrower distribution of the bank's small farm loan originations.)

Farm loan analysis is not meaningful for the bank.

Distribution of Loans by Income Level of the Geography

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 overall geographic distribution of home mortgage loans is adequate.

Bank performance involving home purchase loans in moderate-income tracts is excellent given the bank's generally poor proximity to moderate-income tracts (see comments under the **Service Test** section). The percentage of home purchase loans in moderate-income tracts (11%) is very close to the percentage of owner-occupied housing units in moderate-income tracts (12%).

Bank performance involving home purchase loans in low-income tracts is adequate.

The percentage of home purchase loans in low-income tracts (1%) approximates the percentage of owner-occupied housing in low-income tracts (2%). The low level of owner-occupied housing in low-income tracts limits opportunities to generate real estate loans in those geographies.

Bank performance involving refinance loans in moderate-income tracts is adequate. The percentage of loans in moderate-income tracts (7%) is somewhat less than market demographics (12%). Bank performance involving refinance loans in low-income tracts is poor. BBNA did not originate any refinance loans in low-income tracts over the evaluation period.

BBNA's market share ratios in LMI geographies are generally consistent with its overall market shares (1% or less for both home purchase and refinance loans).

The bank did not originate loans in every census tract in the AA. In fact, BBNA originated loans in only 26% of all census tracts in the AA. Gaps that exist, however, can be reasonably explained. BBNA is a relatively small bank in comparison to the large assessment area. Most loans are concentrated near bank offices. Gaps that exist are primarily attributable to the bank's poor proximity to these geographies and the strong competitive market for financial products and services in the AA.

BBNA achieved its best penetration in Dakota County. This county is home to the bank's main office and two branch facilities. Dakota County contains more BBNA offices than any other county in the assessment area. BBNA originated home

purchase loans in 43 (and refinance loans in 35) of the county's 54 census tracts. BBNA originated home mortgage loans in three of the county's four LMI tracts.

BBNA originated a substantial majority of its home mortgage loans (98%) to borrowers in MSA #5120.

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 business loans is adequate.

Bank performance involving moderate-income tracts is good. The percentage of business loans in moderate-income tracts (10%) approximates the percentage of businesses in moderate-income tracts (12%).

Bank performance involving low-income tracts is adequate. The percentage of business loans in low-income tracts (2%) is somewhat less than the percentage of businesses in low-income tracts (5%).

BBNA's market share ratios in LMI geographies are consistent with the bank's overall business loan market share (1% or less).

The bank did not originate business loans in every census tract in the AA. BBNA originated business loans in only 20% of all tracts (and 12% of all LMI tracts) in the AA. Gaps that exist, however, are attributable to the reasons previously discussed under Home Mortgage Loans. In addition, most of the AA's LMI tracts are in Hennepin County (near downtown Minneapolis) and Ramsey County. BBNA's sole branch in Hennepin County is a substantial distance away, near the northern edge of the county. Nonetheless, BBNA managed to originate loans in seven of 83 LMI tracts in Hennepin County, and six of 48 LMI tracts in Ramsey County.

Consistent with home mortgage loans, BBNA had the best penetration for business loans in Dakota County. BBNA originated loans in 23 of the county's 54 tracts.

BBNA originated a substantial majority of its business loans (96%) in MSA #5120.

Small Farm Loans

(Refer to Table 6 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's small farm loan originations.)

Farm loan analysis is not meaningful for the bank.

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.)

BBNA has an excellent volume of community development loans. It originated four loans (totaling \$11 million) over the evaluation period. This volume is significant and represents 32% of the bank's Tier 1 capital. The loans helped meet identified credit needs of affordable housing (two loans for \$8 million), small business assistance (one loan for \$3 million), and child care assistance for LMI working families (one loan for \$175,000).

The bank's volume of community development loans is better than other banks in the AA subject to large bank CRA standards. Of five other banks evaluated under this test in 1998 and 1999, the bank with the next highest volume had community development loans equal to 12% of its Tier 1 capital. The bank with the lowest volume had community development loans equal to 0.94% of Tier 1 capital.

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 MSA #5120.

BBNA has an exceptionally high level of community development investments. Through its affiliated Otto Bremer Foundation, the bank receives credit for making 392 investments totaling \$7.9 million in the AA. These investments represent 23% of the bank's Tier 1 capital.

The investments made by the Bremer Foundation typically involved donations to qualifying social service, jobs training, affordable housing and economic development organizations. Most of the grants (73% by dollar) were to organizations that provide social services to LMI people. Many of these organizations work directly with immigrant and refugee communities in the Twin Cities to help them meet basic needs. The people who benefit from these grants are primarily on public assistance. Eighteen percent of the grants were made to organizations that facilitate affordable housing for LMI people. Nine percent of the grants were made to organizations that foster job creation, job training or economic development assistance to small businesses.

Other banks in this AA subject to large bank CRA standards have considerably lower levels of investments as a percentage of Tier 1 capital. There are three other banks evaluated under this test that are of a similar size to BBNA (total assets less than \$1 billion). The smallest is a \$191 million institution whose investments equaled 14% of Tier 1 capital. The largest is a \$509 million institution whose investments equaled 13% of Tier 1 capital. The other bank had total assets of \$425 million with investments equal to 2.2% of Tier 1 capital.

In the assessment area, there are ample opportunities for investment in community development activities and organizations. BBNA's primary business focus is small business lending and residential lending to local home buyers. Identified credit needs by community contacts and many existing opportunities for community development are consistent with the bank's strategy.

Minneapolis has an Empowerment Zone and St. Paul has designated an Enterprise Community. Literature from the City of Minneapolis shows commitments totaling \$2.6 billion have been received for the Empowerment Zone. These commitments have come from the City of Minneapolis, Hennepin County, private commitments, charitable foundations and seven local banks.

The majority of BBNA's grants provided social services to LMI individuals which has not been identified as a primary need. The investments for housing-related needs and economic development, however, represent significant contributions to the community. Grants associated with affordable housing totaled \$1.4 million (or 4% of Tier 1 capital). Grants involving employment, jobs training, or economic development totaled \$736,000 (or 2% of Tier 1 capital).

Other Twin Cities banks subject to this performance test have created CDCs or charitable foundations, invested in outside CDCs or SBICs, purchased interests in limited partnerships that are eligible for low-income housing tax credits, or invested in established loan pools that fostered economic development or affordable housing. However, the financial commitment made by these banks through these investments is not as large as BBNA has demonstrated.

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 MSA #5120.

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.)

Retail delivery systems are reasonably accessible to individuals and geographies of different income levels despite the bank's limited number of branches in relation to its large AA (approximately 10,000 square miles). Reasonable accessibility is evidenced by the bank's performance to geographies and individuals of different income levels under the **Lending Test**.

The bank has nine offices located in four of the AA's thirteen counties. Most of the low-income geographies are clustered near the edges of downtown Minneapolis and downtown St. Paul. Hennepin County has a majority of the LMI tracts (52%), mostly in the City of Minneapolis. The bank's sole office in Hennepin County is on the northern edge of the county, in a suburban middle-income tract. Ramsey County has 30% of the LMI tracts. The bank has four offices in Ramsey County - one in a middle-income, northeastern suburb; one in an upper-income, northwestern suburb; and two in a middle-income downtown St. Paul tract. BBNA's main office is located in a moderate-income tract in Dakota County. The bank has two additional offices in middle-income census tracts in Dakota County. BBNA's remaining office is located in rural Carver County which is west of the Twin Cities metropolitan area. This is also a middle-income census tract.

The bank's record of opening and closing offices had no impact on low- and moderate-income census tracts. BBNA opened two of its branches in 1997. These are both located in grocery stores. One is in Brooklyn Park (northern Hennepin County) and the other is in White Bear Lake (northeastern Ramsey County). These offices do not offer commercial or agricultural loans, trust services or retail non-deposit investment products. The bank has not closed any offices since the last CRA evaluation.

Hours provide good customer convenience and vary based on the needs of each location. Most offices, except the downtown St. Paul offices and the main office in South St. Paul, have Saturday lobby hours. Five offices have drive-up facilities that provide additional hours.

As stated above, the grocery store branches do not offer some products and services. In addition, one of the downtown St. Paul offices is a business banking branch so it does not have other typical retail services. With these exceptions, the offices offer a good variety of traditional banking services and products.

Alternate delivery systems include 24-hour telephone banking that allows customers to make transfers between accounts, make loan payments and account inquiries. BBNA offers expanded customer service hours which provides bank-by-phone options from 7 a.m. to 7 p.m. weekdays (9 a.m. to 3 p.m. on Saturdays). The bank also has 33 ATMs in the AA. Eight of these ATMs are deposit-taking machines; they are located at the branch offices. Because BBNA does not maintain information to describe the impact these alternative delivery systems have on low- and moderate-income individuals and geographies, we could not place much weight on these systems in determining the bank's performance under the Service Test.

Community Development Services

Bank employees and officers provide an adequate level of community development services. Bank employees and officers assisted 18 different organizations in the assessment area. Most of the organizations focus on economic development or provide support to small businesses. Bank personnel serve as officers, or chair, on half the organizations served. Community contacts stated there is a need for more technical assistance to small business owners on the financial aspects of business ownership. There is also a need for more job creation. A majority of BBNA's service activities address these identified needs.

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").

Time Period Reviewed	Lending Test: January 1, 1997 to December 31, 1998*	
	Investment Test: January 1, 1996 to July 12, 1999	
	Service Test: January 31, 1995 to July 12, 1999**	
Financial Institution	Loan Products Reviewed	
Bremer Bank, National Association (BBNA) South St. Paul, Minnesota	Small Business, Small Farm, Home Mortgage, Community Development	
Affiliate(s)	Affiliate Relationship	Activities Reviewed
Otto Bremer Foundation Bremer Services, Inc.	Parent Company Sister Company	Qualified Investments Automated Teller Machines
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Multistate MSA #5120	Full-Scope	Minneapolis/St. Paul MSA - Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington, and Wright Counties, Minnesota; Pierce and St. Croix Counties, Wisconsin

* The time period for community development lending was January 1, 1996 to July 12, 1999.

** The time period for community development services was January 1, 1996 to July 12, 1999.

Appendix B: Market Profiles for Full-Scope Areas

MSA #5120 (Minneapolis/St. Paul)

Demographic Information for Full-Scope Area: MSA #5120						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts/BNAs)	658	8%	17%	55%	19%	1%
Population by Geography	2,538,834	5%	13%	61%	21%	0%
Owner-Occupied Housing by Geography	661,159	2%	12%	63%	23%	0%
Businesses by Geography	99,146	5%	12%	61%	22%	0%
Farms by Geography	2,192	1%	12%	67%	20%	0%
Family Distribution by Income Level	653,492	17%	18%	28%	37%	0%
Distribution of Low- and Moderate-Income Families throughout AA Geographies	231,054	8%	20%	61%	11%	0%
Median Family Income (MFI)	= \$43,063	Median Housing Value				= \$91,789
HUD Adjusted Median Family Income for 1998	= \$60,800	Unemployment Rate (1990)				= 2.6%
Households Below the Poverty Level	= 7.9%					

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

The assessment area consists of the entire Minneapolis-St. Paul, MN-WI MSA #5120. This consists of Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington, and Wright Counties in Minnesota; and Pierce and St. Croix Counties in Wisconsin.

As described in the **Service Test** section, BBNA has nine offices and 33 ATMs. Its primary products include commercial credit and residential real estate loans.

Deposit share in the assessment area is dominated by U.S. Bank, NA and Norwest Bank Minnesota, NA. These two institutions have deposit market shares of 31% and 25%, respectively. BBNA has an overall deposit market share in the AA of 0.73%. Although this is considerably less than the market leaders, BBNA still ranks tenth of all banks with deposits in the MSA. In Dakota County, which contains the main office and two additional branches, the bank has a 10% deposit market share (ranking 3 of 29 lenders). This is the bank's largest deposit share in the four counties where the bank has offices. In Carver County, the bank's deposit share is 3% (ranking 9 of 18 lenders). In Ramsey County and Hennepin County, the bank's deposit market shares are less than 1% (ranking 21 of 28 lenders and 51 of 52 lenders, respectively).

Business loan market share is also dominated by Norwest Bank Minnesota, NA and U.S. Bank, NA and its affiliate U.S. Bank South Dakota, NA with market shares of 16%, 14%, and 14%, respectively. Norwest Bank Minnesota, NA and its affiliated Norwest Mortgage Corporation lead the real estate market with market shares of 7% and 11%, respectively. In comparison, BBNA has a 0.97% market share for small business loans and a 0.19% market share for real estate loans.

Minneapolis-St. Paul is the fifteenth largest metropolitan area in the United States. The area has a thriving, diversified economic base. It is a major transportation and distribution hub for the Upper Midwest. It is also a center for electronics, medical instruments, health care, finance, entertainment and arts, printing and publishing, as well as for processing and transporting agricultural products. The area is the home to more than ten FORTUNE 500 companies and several of the world's largest private companies. The greater metropolitan area ranks fourth among all U.S. cities with the most corporate headquarters.

BBNA's market environment is extremely competitive, particularly among the larger commercial financial institutions. The assessment area is served by more than 90 commercial banks, excluding thrifts and credit unions. The banks range in size from \$5 million to \$67 billion. BBNA is substantially smaller than the two largest banks, U.S. Bank, NA and Norwest Bank Minnesota, NA. Competition for all types of loans, but especially mortgage and commercial loans, is especially strong. There were 560 lenders that reported mortgage loan originations in the AA in 1997. And 168 lenders reported small business loans in 1997.

We reviewed information from numerous community contacts (44) in the greater Twin Cities metropolitan area. These contacts were made within the last two years by the OCC or other regulatory agencies. The groups included business trade organizations, housing authorities, housing development and rehabilitation organizations, economic development groups, city or government leaders, credit counseling services, social service organizations and advocacy groups. We also interviewed individuals from five community groups during this evaluation. These groups included business trade organizations, economic development organizations, social service groups, and LMI housing agencies.

All of these contacts provided background information on the general economy of the respective cities or neighborhoods, the condition of the housing markets, the types of credit offered for housing and small businesses, the availability of financial services, and the responsiveness of banks and other financial institutions.

According to the Metropolitan Council sources, the 1998 average sales price of a home in the greater metropolitan area was \$143,500. A vibrant economy and favorable interest rates have driven home prices up in the last few years. Community contacts indicated a strong need for affordable housing. This included lower cost housing for first-time home buyers, multi-family and other rental housing, and combination financing that could include rehabilitation or fix-up funds with first mortgages. Contacts cited a need for housing at all income levels and stated this would be an opportunity for banks to assist with development lending. Contacts also cited a need for home improvement loans to improve the quality of the aging housing stock in many neighborhoods. Many contacts stated there is need for more first-time home buyers programs, credit and financial counseling, and programs that require low or no down payments.

Many contacts said there is a strong need for small business loans and loans that foster job creation. Although unemployment in the metropolitan area is very low (the Minnesota Department of Economic Security reported an unemployment rate of 1.6% at year-end 1998), contacts said unemployment rates in low-income neighborhoods are much higher. Contacts also indicated a need for technical assistance and managerial counseling for small business owners. Some contacts said it would also be beneficial if financial institutions could provide smaller suburban communities with technical advice on how to provide alternate, or tax increment financing, for city-based development projects.

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:														
MSA #5120	100%	740	\$82,911	462	\$83,648	45	\$1,490	4	\$11,130	1,251	\$179,179	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:																
MSA #5120	2%	1%	12%	11%	63%	70%	23%	18%	57	< 1%	< 1%	< 1%	< 1%	< 1%	385	100%
Limited-Scope:																

(*) Based on 1997 Aggregate HMDA Data only.

(**) As a percentage of loans with geocode information available. Geocode information was available for 100% of BBNA loans originated in MSA #5120.

Table 3. Geographic Distribution of Home Improvement Loan Originations

Geographic Distribution: HOME IMPROVEMENT 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 Improvement 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:																
Not applicable.																
Limited-Scope:																

(*) Based on 1997 Aggregate HMDA Data only.

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:																	
MSA #5120	2%	0%	12%	7%	63%	71%	23%	22%	101	< 1%	0%	< 1%	< 1%	< 1%	355	100%	
Limited-Scope:																	

(*) Based on 1997 Aggregate HMDA Data only.
 (**) As a percentage of loans with geocode information available. Geocode information was available for 100% of BBNA loans originated in MSA #5120.

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:																
MSA #5120	5%	2%	12%	10%	61%	64%	22%	24%	16	1%	< 1%	1%	1%	1%	462	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:																				
MSA #5120	1%	0%	12%	25%	67%	71%	20%	4%	6	5%	0%	4%	6%	3%	45	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					Total Home Purchase Loans				
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank*	Market Share by Borrower Income**					#	% of Total
	% of Families	% BBNA Loans*	% of Families	% BBNA Loans*	% of Families	% BBNA Loans*	% of Families	% BBNA Loans*		Overall	Low	Mod	Mid	Upp		
Full-Scope:																
MSA #5120	17%	16%	18%	38%	28%	25%	37%	21%	57	< 1%	< 1%	< 1%	< 1%	< 1%	385	100%
Limited-Scope:																

(*) As a percentage of loans with borrower income information available. Borrower income information was not available for 6% of BBNA loans originated in MSA #5120.
 (**) Based on 1997 Aggregate HMDA Data only.

Table 8. Borrower Distribution of Home Improvement Loan Originations

Borrower Distribution: HOME IMPROVEMENT 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 Improvement 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:																
Not applicable.																
Limited-Scope:																

(*) As a percentage of loans with borrower income information available.
 (**) 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:																
MSA #5120	17%	6%	18%	20%	28%	37%	37%	37%	101	< 1%	< 1%	< 1%	< 1%	< 1%	355	100%
Limited-Scope:																

(*) As a percentage of loans with borrower income information available. Borrower income information was not available for 4% of BBNA loans originated in MSA #5120.
 (**) 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:											
MSA #5120	72%	53%	38%	59%	17%	24%	1%	1%	462	100%	\$181
Limited-Scope:											

(*) As a percentage of all businesses in the AA. Revenue information was not available for 17% of the businesses in MSA #5120.
 (**) 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:											
MSA #5120	89%	98%	93%	96%	4%	0%	5%	6%	45	100%	\$33
Limited-Scope:											

(*) As a percentage of all farms in the AA. Revenue information was not available for 9% of the farms in MSA #5120.
 (**) As a percentage of all BBNA loans. Revenue information was not available for 2% 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: January 1, 1996 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:									
MSA #5120	0	\$0	0%	392	\$7,942	100%	392	\$7,942	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: January 31, 1995 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:																	
MSA #5120	100%	9	100%	0%	11%	78%	11%	33	100%	3%	9%	76%	12%	5%	13%	61%	21%
Limited-Scope:																	