



**Comptroller of the Currency
Administrator of National Banks**

PUBLIC DISCLOSURE

January 15, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Marquette Capital Bank, N.A.
60 South Sixth Street
Minneapolis, MN 55402
Charter #23153**

**Office of the Comptroller of the Currency
920 Second Ave. S. Suite 800
Minneapolis, MN 55402**

NOTE: This evaluation is not, nor should it 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.

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 Community Reinvestment Act (CRA) performance of **Marquette Capital Bank, N.A.** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **January 15, 1998** The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: “Satisfactory”

The bank has a reasonable distribution of lending to businesses of different sizes and borrowers of different incomes. The geographic distribution of business lending in low- and moderate-income areas is reasonable. The bank has a more than reasonable average loan-to-deposit ratio and originates a substantial majority of their loans inside their assessment area.

DESCRIPTION OF INSTITUTION

Marquette Capital Bank, N.A. (MCB) is a \$128 million institution chartered in 1993. It has two locations in downtown Minneapolis, Minnesota. The bank is wholly owned by Marquette Bancshares, Incorporated (MBI). MBI also owns Marquette Bank, N.A. (MBNA) in Golden Valley, Minnesota and Marquette Bank Rochester, Rochester, Minnesota. Marquette Bank, N.A. and Marquette Capital Bank both serve customers in the Minneapolis/St. Paul metropolitan area. MCB's focus is in middle market business lending and private banking relationships. MCB's affiliate relationship with MBNA allows customers of MCB to conduct transactions at any of the several MBNA locations throughout the metropolitan area. MCB also utilizes their affiliate relationship with MBNA for referrals of home purchase loans and loans to businesses located in the far reaching areas of the metropolitan area. MCB was rated "Satisfactory Record of Meeting Community Credit Needs" in December 1994. There are no legal or financial impediments limiting MCB's ability to meet community credit needs.

The bank's emphasis is on business loan originations. Consumer loans are also prominent in their representation by number of originations over the same review period. Our rating conclusions are centered on the bank's service of the business community in correspondence to the significant dollar volume of business loan origination activity. The following table illustrates the origination activity by product type for 1996 and YTD 1997:

Loan Origination Activity 1996 and YTD 1997				
Type of Loan	Number of Loans	% of Total	Dollar Amount of Loans \$(000's)	% of Total
Business loans	259	18%	\$156,105	76%
Personal Loans	635	45%	\$27,938	13%
Home Equity Lines of Credit	286	20%	\$15,854	8%
Auto Loans	149	10%	\$1,916	1%
HMDA Loans	98	7%	\$3,385	2%
Totals	1427	100%	\$205,198	100%

DESCRIPTION OF THE ASSESSMENT AREAS

The assessment area of MCB is comprised of 11 counties representing the Minnesota portion of the Minneapolis/St. Paul Metropolitan Statistical Area (MSA). The counties include: Anoka; Carver; Chisago; Dakota; Hennepin; Isanti; Ramsey; Scott; Sherburne; Washington and Wright.

The assessment area population is 2.5 million. The unemployment rate is 3% with 7% of the total population below poverty level. Owner-occupied units account for 64% of total housing units. The majority of owner-occupied units are located in middle-income census tracts with a very small percentage of units in low-income census tracts being owner-occupied.

The updated 1997 Median Family Income for the assessment area is \$54,600. The following table describes the income profile of the census tracts and the income level of the families located in the assessment area.

Marquette Capital Bank, N.A. Assessment Area Profile			
	Number of Tracts	% of Total	% of Families
Low-Income	52	8%	17%
Moderate-Income	104	16%	18%
Middle-Income	351	55%	28%
Upper-Income	123	19%	37%
	10 with no reported income	2%	NA
Total	640	100%	100%

The majority of businesses in the assessment area reported gross revenues less than \$500 thousand from 1995 updated census data and are located in middle-income census tracts.

Credit needs of the MSA are varied. They include all types of loans for small businesses and housing. Small business credit needs include working capital for start-ups as well as expanding businesses. In low-income areas of the MSA, needs include property rehabilitation loans for businesses and residences. We determined these credit needs by contacting three nonprofit housing organizations during the examination. We also reviewed information from 28 community contacts made by this and other regulatory agencies during the past two years. The contacts were with many different types of organizations, including those involved in economic development, small business development and housing.

DESCRIPTION OF SAMPLES:

The business loan examination was conducted by the bank. The bank analyzed all business loan originations in 1996 and YTD 1997. The review included 259 loans totaling \$156 million. We tested the bank's review for completeness and accuracy and agree with the results presented.

Reviews of home equity lines of credit were also conducted by the bank. Analysis was done on all home equity lines of credit originations in 1996 and YTD 1997. The review included 286 loans totaling \$16 million. We tested the bank's review for accuracy and agree with the results presented.

The analysis of auto loans was done on a sampling basis by our examination team. We looked at 39 loans totaling \$482 thousand. Our sample represents 26% by number and 25% by dollar volume of all auto loans originated in 1996 and YTD 1997.

We also reviewed residential real estate transactions the bank originated and reported on their Home Mortgage Disclosure Act - Loan Application Register (HMDA-LAR). We reviewed all loans reported on the LAR for 1996 and loans tabulated year-to-date, September 30, 1997. The analysis included 98 loans totaling \$3.3 million.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Lending to Businesses of Different Sizes and Borrowers of Different Incomes:

The bank has a reasonable distribution of lending to different sizes of businesses in relation to the demographics of the assessment area.

The bank's review of business loans was used to determine the geographic distribution of loans made to businesses located inside the assessment area. The analysis included 218 loans totaling \$116.6 million. The following table illustrates the results of the bank's review:

Lending Distribution Based on Revenue Size of Businesses 1996 & YTD 1997 Business Loan Originations			
Revenue Size of Businesses Sampled \$(000's)	MCB Lending Distribution by Number of Loans	Percentage of Businesses in each Revenue Category (census information)	MCB Lending Distribution by Dollar of Loans
\$0 - \$50	18%	61%	8%
\$50 - \$100	11%		2%
\$100 - \$250	6%		4%
\$250 - \$500	6%		1%
\$500 - \$1,000	2%	8%	4%
\$1,000 - \$3,000	14%	12%	6%
\$3,000 - \$5,000	12%		11%
\$5,000 - \$25,000	19%		30%
\$25,000 - \$50,000	6%	0%	11%
> \$50,000	6%	1%	23%
Totals	100%	82%	100%
Percentage of Businesses in Assessment that did not Report Revenue Volumes		18%	

The distribution of lending represents reasonable penetration to borrowers of different incomes, specifically low- and moderate income. The home equity lines of credit review shows weak penetration to low- and moderate-income borrowers when compared to demographics. However, we are not able to determine how many low- and moderate-income families own homes and would thus qualify for this type of credit. The review of auto loans shows reasonable penetration to LMI families by number and dollar volume of loans originated. HMDA lending reasonably penetrates LMI families by number of loans originated. Lending to low-income families is relatively low, however, when compared to other market area lenders.

The bank's review of all home equity lines of credit made in 1996 and YTD 1997 was used to determine borrower distribution of home equity lines of credit made to consumer borrowers. The analysis included 277 loans totaling \$15 million located inside the bank's assessment area. The auto loan analysis done by our exam team was also used. The sample included 35 loans totaling \$420 thousand located inside the bank's assessment area. The sample represents 27% by number and dollar volume of all auto loans made in 1996 and YTD 1997.

Distribution of Lending by Borrower Income 1996 and YTD 1997 Originations			
Low Income Borrowers	% of Total by Number of Loans	% of Total by Dollar of Loans	% of Low Income Families in Assessment Area
Auto Loans	14%	11%	17%
Home Equity Lines of Credit	3%	1%	
Moderate Income Borrowers			% of Moderate Income Families in Assessment Area
Auto Loans	26%	20%	18%
Home Equity Lines of Credit	4%	2%	
Middle Income Borrowers			% of Middle Income Families in Assessment Area
Auto Loans	31%	29%	28%
Home Equity Lines of Credit	20%	16%	
Upper Income Borrowers			% of Upper Income Families in Assessment Area
Auto Loans	29%	40%	37%
Home Equity Lines of Credit	73%	81%	

In addition, our review of the bank's HMDA-LAR was used to determine borrower distribution inside the assessment area. All loans reported on the HMDA-LAR were located inside the bank's assessment area and were used for this review.

Distribution by Borrower Income of HMDA Loans Comparison to Demographics and Market				
Income Category of Families	1996		YTD, September 30, 1997	% of Families in Income Category in Assessment Area
	MCB	All Lenders		
Low-Income	2%	10%	3%	16%
Moderate-Income	19%	24%	14%	19%
Middle-Income	34%	31%	25%	28%
Upper-Income	45%	31%	58%	37%
Borrowers with Unknown Income	0%	4%	0%	0%
Totals	100%	100%	100%	100%

Geographic Distribution of Loans:

Overall the bank has reasonable geographic distribution of lending throughout its assessment area. Business lending, by dollar volume, in low- and moderate-income (LMI) areas approximates the representation of businesses in those areas. Geographic distribution of consumer lending in LMI areas is poor overall. The bank has poor penetration, by number, of home equity lines of credit to borrowers located in moderate income areas. Distribution of HMDA loans, by number, to borrowers was reflective of the opportunities to lend to consumers in owner-occupied units in LMI areas in 1996. However, YTD 1997 results show no penetration of HMDA lending in LMI areas. Distribution of auto loans, by number and dollar volume, is approaching the representation of LMI areas in the assessment area. The following tables illustrate the detailed results of reviews of all types of lending described above.

The bank's review of business loans was used for geographic distribution analysis inside the assessment area.

Geographic Distribution of Business Loans 100% Review of Loans Originated in 1996 and YTD 1997				
Income Tract Profile	MCB Lending Distribution by Number of Loans	MCB Lending Distribution by Dollar of Loans	Distribution of Assessment Area Census Tracts by Number	Business Location Distribution
Low-Income Tracts	2%	less than 1%	8%	6%
Moderate-Income Tracts	7%	19%	16%	12%
Middle-Income Tracts	56%	60%	55%	59%
Upper-Income Tracts	35%	21%	19%	23%
Totals	100%	100%	98%	100%
Tracts with no reported income	NA	NA	2%	NA

The bank's review of home equity lines of credit was used for geographic distribution analysis inside the assessment area.

Geographic Distribution of Home Equity Lines of Credit 100% Review of Loans Originated in 1996 and YTD 1997				
Income Tract Profile	MCB Lending Distribution by Number of Loans	MCB Lending Distribution by Dollar of Loans	Distribution of Assessment Area Census Tracts by Number	Distribution of Owner Occupied Units in Assessment Area
Low-Income Tracts	1%	less than 1%	8%	2%
Moderate-Income Tracts	2%	1%	16%	11%
Middle-Income Tracts	36%	29%	55%	63%
Upper-Income Tracts	61%	70%	19%	24%
Totals	100%	100%	98%	100%
Tracts with no reported income	NA	NA	2%	NA

Our review of the HMDA-LAR was used for analysis of geographic distribution inside the bank's assessment area.

Geographic Distribution of HMDA Loans Comparison to Demographics and Market					
Census Tract Category	1996		YTD, September 30, 1997	% of Total Census Tracts	Distribution of Owner Occupied Units in Assessment Area
	MCB	All Lenders			
Low-Income	3%	1%	0%	8%	2%
Moderate-Income	8%	9%	0%	16%	11%
Middle-Income	49%	63%	53%	55%	63%
Upper-Income	40%	27%	47%	19%	24%
Tracts with no Reported Income	0%	0%	0%	2%	100%

Our sample of auto loans was used for our analysis of geographic distribution inside the bank's assessment area.

Geographic Distribution of Auto Loans			
Income Tract Profile	MCB Lending Distribution by Number of Loans	MCB Lending Distribution by Dollar of Loans	Distribution of Assessment Area Census Tracts by Number
Low-Income Tracts	6%	6%	8%
Moderate-Income Tracts	8%	7%	16%
Middle-Income Tracts	46%	48%	55%
Upper-Income Tracts	40%	39%	19%
Totals	100%	100%	98%
Tracts with no reported income	NA	NA	2%

Loan to Deposit Analysis

The bank's average loan-to-deposit ratio from January 1995 to September 1997 is 87%. This ratio is more than reasonable given the bank's size, financial condition and lending opportunities within its assessment area. Marquette Capital Bank has the highest average loan-to-deposit ratio of any of the banks similarly situated in their assessment areas. Thirteen banks of similar size, operating in the Minneapolis/St. Paul MSA had average loan-to-deposit ratios ranging from 61% to 81% over the time period of March 31, 1995 to September 30, 1997.

Lending Inside the Assessment Areas

Marquette Capital Bank originates a substantial majority of their loans inside of their assessment area based on our review of various types of loans originated in 1996 and YTD 1997. The following table illustrates the level of penetration of lending inside the bank's assessment area by product type:

Refer to the description of samples section for details on the criteria used to produce the following table results:

Penetration of Lending Inside the Assessment Area Loans Originated in 1996 and YTD 1997		
	% of Total Number of Loans Inside the Assessment Area	% of Total Dollar Amount of Loans Inside the Assessment Area
Business Loans	86%	81%
Home Equity Lines of Credit	97%	95%
Auto Loans	90%	87%
HMDA Loans	100%	100%

Response to CRA Related Complaints

The bank has not received any CRA related complaints since the previous evaluation.

Compliance with Antidiscrimination Laws

Marquette Capital Bank, N.A. is in compliance with applicable antidiscrimination laws and regulations. We found no evidence of apparent disparate treatment during our fair lending review.