



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

February 19, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Marquette Bank of South Dakota, N.A.
Charter Number 15537**

**101 North Main Avenue
Sioux Falls, South Dakota 57117**

**Office of the Comptroller of the Currency
Sioux Falls Duty Station
300 Dakota Avenue North, P.O. Box 1405
Sioux Falls, South Dakota 57101**

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 Bank of South Dakota, N.A., Sioux Falls, South Dakota**, prepared by **the Comptroller of the Currency**, the institution's supervisory agency, as of February 19, 1997. 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: This institution is rated **Satisfactory**.

The bank's overall lending level is reasonable, given the institution's size, financial condition and credit needs of the assessment areas. A majority of the bank's loan originations are within its assessment areas and the geographic distribution of borrowers reflects reasonable penetration among the different geographies of the assessment areas.

The following table indicates the performance level of **Marquette Bank of South Dakota, N.A.** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Marquette Bank of South Dakota, N.A.</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the last examination, dated February 13, 1995.		

DESCRIPTION OF INSTITUTION

Marquette Bank of South Dakota, N.A. (Marquette) is a \$130 million bank located in Sioux Falls, South Dakota. The bank is owned by South Dakota Financial Bancorporation, Incorporated, a multi-bank holding company. The bank has seven branches located throughout Sioux Falls, one in Harrisburg and one in Yankton, South Dakota. The majority of the bank's lending activity is completed by the Sioux Falls branches. The bank's \$84 million loan portfolio consists of : 32.6% residential real estate loans; 26.9% commercial real estate loans; 21.1% commercial loans; 15.8% consumer loans; 2.1% agricultural loans; and 1.5% agricultural real estate loans. There are no financial or legal impediments which inhibit this bank from meeting the identified credit needs of its assessment areas. The last CRA examination was completed February 13, 1995 with a rating of Outstanding.

DESCRIPTION OF THE BANK'S ASSESSMENT AREAS

The bank has two assessment areas, the Sioux Falls Metropolitan Statistical Area (MSA) and Yankton County. A brief description of the two assessment areas follows:

Sioux Falls MSA

The Sioux Falls MSA has 33 Census Tracts of which 21% are moderate-income, 58% are middle-income and 21% are upper-income. There are no low-income census tracts. The MSA has a population of approximately 140,000 with a 1996 median family income of approximately \$43,100. The breakdown of MSA families in the different income categories is as follows: 16% low-income, 20% moderate-income, 28% middle-income and 36% upper-income.

The Sioux Falls economy is a rapidly growing retail hub, regional medical and financial center. The MSA has an unemployment rate of approximately 2%. Several independent and large regional financial institutions provide significant competition in the Sioux Falls market. These institutions provide good resources to address the identified credit needs of the community. Community contacts, completed during recent examinations of other financial institutions in the Sioux Falls MSA, identified affordable housing as a primary need in the area.

Yankton

Yankton County has four block numbering areas (BNAs), all of which are middle income. The county has a population of approximately 20,000. The 1996 state non-metropolitan median family income is approximately \$32,800. The breakdown of the assessment area families in the different income levels is as follows: 15% low-income, 18% moderate-income, 23% middle-income and 44% upper-income.

Yankton County is primarily a rural community with the city of Yankton serving as the county seat. Light manufacturing, government, health care and education provide most of the employment opportunities. The local unemployment rate is approximately 1%. Several other local financial institutions provide for a competitive environment. A community contact representing the local Chamber of Commerce indicated that housing, including affordable

housing, is a primary need for the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Analysis

The bank's overall lending levels are satisfactory and reflect a reasonable response to community credit needs. The average loan-to-deposit ratio is 77.8% and considered reasonable given the amount of competition in the areas. The average loan-to-deposit ratio for financial institutions less than \$500 million in total assets, in the assessment areas and surrounding communities, is 70.7%, with a range from 43.3% to 98.5%.

Credit Extended Inside and Outside of the Assessment Areas

A majority of the bank's loans are within its assessment areas. Examiner analysis of the bank's lending patterns reflect reasonable efforts by management to originate loans within the two assessment areas. Examiners reviewed Home Mortgage Disclosure Act (HMDA) data for purchase and refinance of residential real estate loans and sampled 67 consumer and 38 commercial loans originated during 1995 and 1996. The following table summarizes the results of our analysis and samples:

Loan Information Source	Loans Made in Assessment Area				Loans Made Outside Assessment Area			
	#	%	\$	%	#	%	\$	%
(\$ in 000's)								
1995 HMDA Data	111	74.5	9,506	82.1	38	25.5	2,078	17.9
1996 HMDA Data	145	79.7	13,046	84.5	37	20.3	2,387	15.5
Consumer Loan Sample	61	91.0	603	93.3	6	9.0	43	6.7
Commercial Loan Sample	33	86.8	5,406	82.9	5	13.2	1,117	17.1
TOTAL	350	80.3	28,561	83.5	86	19.7	5,625	16.5

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

The distribution of the bank's borrowers reflect a reasonable penetration among individuals of different income levels. Using the same HMDA data noted earlier to review residential real estate loans originated within the Sioux Falls assessment area, examiners analyzed the bank's efforts to lend to borrowers of different income levels. The results of the analysis and the community demographics are depicted in the following table:

Income Category	1995 HMDA Data (Sioux Falls A.A.)						1996 HMDA Data (Sioux Falls A.A.)				C.D.	
	(\$ in 000's)	#	%	M.S	\$	%	M.S	#	%	\$		%
Low-Income	3	2.7	1.2	49	0.5	0.6	6	4.3	296	2.3	15.7	
Moderate-Income	24	21.6	3.0	1,257	13.2	3.1	23	16.5	1,380	11.0	19.7	
Middle-Income	32	28.8	2.5	2,271	23.9	2.6	60	43.2	4,593	36.6	28.5	
Upper-Income	52	46.8	3.4	5,929	62.4	4.1	50	36.0	6,297	50.1	36.1	
Total	111	99.9	2.8	9,506	100	3.3	139	100	12,566	100	100	

(M.S. - Market Share Data. Market Share data was not available on 1996 HMDA Data at the time of the examination.)
(C.D. - Community Demographics. Represents the percent of families, in the community, for each income level.)

Additionally, the bank has made reasonable efforts to lend to businesses and farms of different sizes. Using loans originated within the assessment areas from the samples noted earlier, examiners reviewed the distribution of loans to commercial and farm borrowers of different sizes. The distribution of loan originations in our sample demonstrates reasonable efforts to lend to businesses and farms of different sizes. The following table summarizes the results of our review:

Gross Revenues (000's)	< \$100	\$100-250	\$250 -500	\$500-1,000	> \$1,000	Total
# of Borrowers	2	4	2	5	7	20
% of Loans	10	20	10	25	35	100%
\$ Volume (000's)	\$152	\$345	\$230	\$3,471	\$1,208	\$5,406
% of \$ Volume	2.8	6.4	4.3	64.2	22.3	100%

Geographic Distribution of Loans

Examiners analyzed the bank's geographic distribution of loans for the Sioux Falls assessment area. Examiners did not analyze geographic distribution of loans for the Yankton assessment area as all BNAs are middle income and a geographic distribution analysis would not be meaningful.

The bank's distribution of loans within the Sioux Falls assessment area is reasonable. Examiners analyzed the bank's geographic distribution of residential real estate and consumer loan originations using the HMDA data noted earlier and a bank prepared report, verified for accuracy, on consumer loans originated within the assessment area. This analysis reflects a geographic distribution of loans which is comparable to community demographics. The following table illustrates the results of our sample and the community demographics.

Loan Information Source	1995 HMDA			1996 HMDA		Consumer		Community Demographics	
	#	%	M.S.	#	%	#	%	# of CTs	% of CTs
Census Tract (C.T.) Type									
Low-Income C.T.	0	0	0	0	0	0	0	0	0
Moderate-Income C.T.	17	15.3	3.5	13	9.4	45	17.4	7	21
Middle-Income C.T.	65	58.6	2.5	82	59.0	148	57.1	19	58
Upper-Income C.T.	29	26.1	3.2	44	31.6	66	25.5	7	21
TOTAL	111	100	2.8	139	100	259	100	33	100

(M.S. - Market Share. Market Share Data was not available on 1996 HMDA Data and Consumer loans.)

Record of Compliance with Antidiscrimination Laws

Based on our review, we found no substantive violations of the antidiscrimination laws.