

PUBLIC DISCLOSURE

September 4, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

BANKFIRST
6100 South Old Village Place
Sioux Falls, South Dakota 57108
RSSD 2352507

Federal Reserve Bank of Minneapolis
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Minneapolis, MN 55480-0291

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of the institution. 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.

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Definitions for many of the terms used in this performance evaluation can be found in section 228.12 of Regulation BB. For additional convenience, a Glossary of Common CRA Terms is attached as Appendix A at the end of this performance evaluation.

INSTITUTION'S CRA RATING: Satisfactory

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

BANKFIRST's performance demonstrates a satisfactory responsiveness to the credit needs and community development needs of its assessment areas. The bank's performance under the Lending Test is satisfactory based on the following criteria:

- A reasonable net loan-to-deposit ratio.
- A low concentration of lending in the assessment areas overall with a reasonable level of small business lending and a low level of residential real estate lending in the Minneapolis assessment area.
- Merely reasonable borrower and geographic distributions of small business and residential real estate loans in the Minneapolis assessment area.
- No consumer complaints related to CRA.

The bank's performance under the Community Development Test is satisfactory based on the following criteria:

- The community development activities show good responsiveness to community development needs.
- The bank's community development activity levels are good, and the activities have the appropriate mix among loans, investments, and services given the bank's strategy.

The bank received a satisfactory rating at the previous CRA evaluation, dated September 6, 2005. At the time of the previous evaluation, the bank had a primary business line focused on national credit card lending; it was a limited-purpose bank, a designation effective since November 27, 1998. Thus, its last CRA evaluation was conducted using the Wholesale and Limited Purpose Performance Examination Procedures, which focus solely on community development activities. Activities reviewed to assess the bank's CRA performance at the last evaluation included community development loans, qualified investments, and community development services but did not include retail lending.

EVALUATION METHODOLOGY

Since the last evaluation, the bank has changed its business strategy, as described in this evaluation. As a result of the changes, the bank no longer meets the definition of a limited purpose bank. This is the first evaluation of the bank since February 2, 1999, using the examination procedures for retail banks.

Given that the bank does not meet the definition of a limited-purpose bank, it is now evaluated under the examination procedures for intermediate small retail banks. These examination procedures were adopted on July 19, 2005, when the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation (the Agencies) approved final changes to their CRA regulations. The new rules became effective September 1, 2005. The Agencies adopted the following changes in the final rules:

- Adopted an intermediate small bank (ISB) evaluation process for banks with assets of at least \$265 million as of December 31 of both of the prior two calendar years and less than \$1.031 billion as of December 31 of either of the prior two calendar years,¹
- Eliminated the CRA data reporting requirements for institutions with assets less than \$1 billion as of December 31 of either of the prior two calendar years,
- Modified the definition of community development to encourage bank investment in rural areas and designated disaster areas, and
- Clarified when illegal lending practices by a bank or its affiliates might result in the lowering of the CRA rating.

Given the bank's asset size as of December 31 of 2005 and 2006, it is an ISB. Thus, the scope of this evaluation includes not only community development activities, which were reviewed during evaluations conducted when the bank was a limited-purpose bank, but also retail lending. For ISBs, retail lending is evaluated under the Lending Test, and community development activities are reviewed under the Community Development Test.

The performance criteria evaluated under the Lending Test are:

- Net loan-to-deposit ratio,
- Loans inside the assessment area,
- Loans to borrowers of different income levels and to businesses of different revenue sizes,
- Loans in geographic areas with different income levels, and
- Record of responding to complaints about the bank's CRA performance.

Under the Community Development Test, the performance criteria are:

- The number and amount of community development loans,
- The number and amount of qualified investments,
- The extent to which the bank provides community development services, and
- The bank's responsiveness through such activities to community development needs.

The focus of the bank's evaluation under the ISB Community Development Test is similar to the focus of the bank's evaluation when it was a limited-purpose bank.² In both cases, the evaluation was based on the bank's community development loans, qualified investments, and community development services.

In combination, the Lending Test rating and Community Development Test rating determine the bank's overall CRA rating.

¹The asset thresholds are adjusted annually.

²The CRA performance criteria for limited-purpose banks are:

- The number and amount of community development loans (including originations and purchases of loans and other community development loan data provided by the bank, such as data on loans outstanding, commitments, and letters of credit), qualified investments, or community development services;
- The use of innovative or complex qualified investments, community development loans, or community development services and the extent to which the investments are not routinely provided by private investors; and
- The bank's responsiveness to credit and community development needs.

SCOPE OF EXAMINATION

This evaluation of the bank's CRA performance is based in part on information provided by bank management and community contacts. Information from these sources as well as economic and demographic characteristics of the assessment areas, competitive factors, business strategy, and the size and financial condition of the bank were analyzed to understand the bank's performance.

The evaluation period covers the bank's performance since the previous CRA evaluation, and is September 6, 2005, through September 4, 2007. During the evaluation period, the bank made several significant business strategy changes that ultimately relate to its CRA performance and the process used to evaluate its performance. The timeline in the table below details these changes.

<i>Date</i>	<i>Activity</i>	<i>Bank Lending Strategy</i>
September 6, 2005	Previous CRA evaluation conducted	Limited-purpose bank with primary focus on national credit card lending
January 30, 2006	Bank no longer limited-purpose bank	Main product lines were national commercial real estate loans and national wholesale and retail mortgage loans
March 23, 2007	Business strategy change	Transition to traditional retail lending
September 4, 2007	CRA evaluation conducted	Retail lending

To determine the bank's rating, different weights are applied to the tests, assessment areas, and performance criteria. As an ISB, the bank is subject to two equally weighted tests.

The weighting of the bank's performance in the assessment areas reflects the bank's business strategy through the evaluation period, which includes the bank's transition from a limited-purpose bank to a nationwide commercial and real estate lender and then to a traditional commercial bank. The bank's performance in the Minneapolis, Minnesota, assessment area received the most weight followed by the Sioux Falls, South Dakota, assessment area and finally the Chandler, Arizona, assessment area.

Through the bank's business strategy transitions, the bank's focus changed from meeting its CRA obligations through community development activities to also include retail lending activities. Overall, the bank has shown a good responsiveness to community development needs in the Minneapolis and Sioux Falls assessment areas, increasing its community development activities since the prior evaluation. The bank's community development activity received the most weight because of the bank's expertise and experience in this area. The bank has a satisfactory history of making qualified investments, and assigning this area a high weight aligns with the bank's CRA strategy. The bank's qualified investment activity is the bank's strongest area of performance during the evaluation period.

In assessing the bank's overall Lending Test performance, the most weight was given to the bank's net loan-to-deposit ratio, followed by the concentration of lending in the assessment areas. The other two loan distribution performance criteria, the distribution by borrower income and business size and by geography income level, were weighted less. During much of the bank's evaluation period, the bank focused its lending strategy on nationwide lending. The bank's capacity to originate loans to local small business borrowers was limited. Within this performance context, it is appropriate to give the bank's performance in the bank's Minneapolis assessment area the greatest weight. The bank's residential real

estate lending in the Minneapolis assessment area is approximately 95% of all such lending in the bank's assessment areas. The comparable percentage for small business lending is approximately 67%. During the transition periods, it appears that the bank's capacity to make new loans in the Minneapolis assessment area is higher than in the other assessment areas.

The bank's CRA performance was evaluated in all four of the assessment areas existing during the evaluation period. For three of the assessment areas, full-scope reviews were conducted. The assessment areas subject to full-scope reviews were the Minneapolis assessment area, the Sioux Falls assessment area, and the Chandler assessment area. The bank's other assessment area, the Brookings/Toronto, South Dakota, assessment area, was subject to a limited-scope review. As of the evaluation date, the bank no longer served the Brookings/Toronto assessment area because of the sale of the branches in the assessment area.

As previously discussed, the bank had a nationwide lending focus for much of the evaluation period. Its business strategy did not link lending to a geographical area near or surrounding the bank's offices. CRA, on the other hand, focuses on a bank's activities in local geographical areas, which are defined as assessment areas. An assessment area is that area including the census tracts in which the bank has its main office, its branches, and its deposit-taking automated teller machines, as well as the surrounding geographies in which the bank has originated or purchased a substantial portion of its loans (including home mortgage loans, small business and small farm loans, and any other loans the bank chooses, such as those consumer loans on which the bank elects to have its performance assessed).

Lending Test Scope

The bank's performance under the Lending Test is based on a review of residential real estate loans and small business loans.³ Table 2 illustrates the bank's lending activity for the part of the evaluation period that followed the bank's voluntary revocation of its limited-purpose designation.

<i>Loan Type</i>	<i>Number of Loans</i>	<i>% of Total Number</i>	<i>Total Loan Dollars</i>	<i>% of Total Dollars</i>
Residential Real Estate (HMDA)	1,791	79.2	\$ 413,624,000	21.0
Consumer	150	6.6	1,018,748	0.1
Small Business	103	4.6	30,598,816	1.6
Commercial (> \$1 million)	134	5.9	1,515,572,176	77.1
Small Farm	84	3.7	4,268,206	0.2
Total	2,262	100.0	\$1,965,081,946	100.0

The lending analysis is based on the bank's HMDA data from February 1, 2006, through July 1, 2007, and a statistical sample of small business loans originated from February 1, 2006, through July 31, 2007. Within the sample periods, the bank reported 1,791 HMDA loans and originated 103 small business loans. The lending analysis is based on a statistical sample of 65 small business loans originated during

³The residential real estate loan sample includes loans reported by the bank pursuant to Regulation C--Home Mortgage Disclosure Act (HMDA). The bank is subject to HMDA given its asset size and offices in metropolitan statistical areas (MSA). Thus, it is required to report data about its home purchase, home improvement, refinance, and multifamily dwelling loans annually.

the sample period and all of the 1,791 originated HMDA loans. Refer to the Glossary in Appendix A for definitions of small business loans.

The following criteria were analyzed to determine the bank's Lending Test rating:

- Net loan-to-deposit ratio,
- Loans inside the assessment area,
- Loans to borrowers of different income levels and to businesses of different revenue sizes,
- Loans to geographic areas with different income levels, and
- Record of responding to complaints about the bank's CRA performance.

The weighting of the performance criteria is based on bank and assessment area characteristics. In assessing the bank's overall Lending Test performance, the most weight was given to the bank's net loan-to-deposit ratio, followed by the concentration of lending in the assessment areas. The other two loan distribution performance criteria, the distribution by borrower income and business size and by geography income level, received lower weight. In the Sioux Falls assessment area, the bank's lending was so low that the analysis of the distribution by borrower income and business size and by geography income level is not meaningful. In the Chandler assessment area, the bank originated no loans. For the Minneapolis assessment area, the bank originated a sufficient number of loans to perform an analysis and support conclusions regarding the distribution by borrower income and business size and by geography income level.

Community Development Test Scope

Under the Community Development Test, the bank's community development loans, qualified investments, and community development services were reviewed. The bank's community development loans, qualified investments, and community development services were evaluated for the period of September 6, 2005, through September 4, 2007.

DESCRIPTION OF INSTITUTION AND ASSESSMENT AREAS

Structure. BANKFIRST is wholly owned by Marshall BankFirst Corporation, Minneapolis, Minnesota, a two-bank holding company that indirectly acquired BANKFIRST through its purchase of BANKFIRST Corporation in January 2005. The other bank owned by the holding company is Marshall Bank, National Association, Hallock, Minnesota.

Offices. As of the evaluation date, the bank has three branches: one each in Sioux Falls, Minneapolis, and Chandler. The Sioux Falls office is the bank's main office. The bank has no automated teller machines. During the first part of the evaluation period, the bank also operated a residential real estate loan production office in Eden Prairie, Minnesota.

During the evaluation period, the bank had two other South Dakota branches, one in Brookings and another in Toronto. In December 2006, the bank sold its Brookings office. It sold the Toronto office in January 2007.

Assessment area. As of the evaluation date, the bank has three assessment areas for purposes of CRA: Minneapolis, Sioux Falls, and Chandler. Table 3 lists the assessment areas with a geographical description as well as shows the offices in each.

<i>Assessment Area Name</i>	<i>Assessment Area Description</i>	<i>Office in Assessment Area</i>
Sioux Falls Assessment Area	Minnehaha and Lincoln counties in the Sioux Falls, SD MSA	Sioux Falls main office
Minneapolis Assessment Area	Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington counties in the Minneapolis-St. Paul-Bloomington, MN-WI MSA	Minneapolis branch Minneapolis executive office Eden Prairie office
Chandler Assessment Area	City of Chandler in the Phoenix-Mesa-Scottsdale, AZ MSA	Chandler branch

The fourth assessment area, the Brookings/Toronto assessment area, was defined as Brookings, Codington, Deuel, Grant, Hamlin, Kingsbury, Lake, and Moody counties in east-central South Dakota. With the January 2007 sale of the Toronto office, the bank no longer served its Brookings/Toronto assessment area.

Detailed descriptions of the assessment areas are set forth found in the appropriate section for each assessment area in this evaluation.

Loan portfolio. According to the June 30, 2007, Report of Condition, the bank's assets were \$541.6 million and net loans were \$376.9 million. As of the same date, the bank's loan portfolio consisted of approximately 90% commercial, 4% residential real estate, 5% other, less than 1% consumer, and less than 1% agricultural loans. At the previous evaluation, the bank had total assets of \$484.0 million and net loans of \$88.8 million. The increase in the bank's net loans between evaluations is a result of the change in the bank's lending strategy.

Credit products. As of the evaluation date, the bank's credit products are commercial and consumer loans. For commercial financing, the bank offers working capital lines of credit, real estate loans, term loans, and standby letters of credit. For consumer financing, the bank offers personal loans and lines of credit.

Between September 2006 and March 2007, the bank focused primarily on national commercial real estate lending and national wholesale and retail mortgage lending. The bank's commercial real estate lending market was nationwide with loan originators located in several cities, including Atlanta, Georgia; Birmingham, Alabama; Chicago, Illinois; Los Angeles, California; Madison, Wisconsin; New York City, New York; St. Louis, Missouri; Orlando, Florida; and Scottsdale, Arizona. The other primary focus was extending residential real estate loans for sale to the secondary market. Like its commercial real estate lending strategy, the focus of the residential real estate lending was nationwide, including a national broker network. Given the nature of the bank's business lines and the lending strategies of the bank during the evaluation period, the bank's small business loans were primarily generated through relationship lending. The bank also had limited commercial, consumer, and agriculture lending from its Toronto and Brookings branches.

General. During the evaluation period, the bank operated under a Written Agreement (WA), dated April 22, 2003 (2003 WA). The 2003 WA expired on August 8, 2007. On August 2, 2007, the bank entered into a new WA (2007 WA). Although both the 2003 WA and 2007 WA limited the bank's

lending activities, the bank could still make new loans. Neither WA is considered a lending constraint for purposes of evaluating the bank's performance for this evaluation.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's CRA rating is satisfactory. The rating is based on a satisfactory rating for the Lending Test and satisfactory rating for the Community Development Test.

LENDING TEST

The bank's performance under the Lending Test is rated satisfactory. Generally, the performance is marginally reasonable. The major factors supporting the Lending Test rating and the marginally reasonable conclusion include:

- A reasonable net loan-to-deposit ratio.
- A low concentration of lending in the assessment areas with a reasonable level of small business lending and a low level of residential real estate lending within the Minneapolis assessment area.
- Merely reasonable borrower and geographic distributions of small business and residential real estate loans in the Minneapolis assessment area.
- No consumer complaints related to CRA.

The bank's marginally reasonable performance reflects its performance context, which includes the bank's transition from a limited-purpose bank to a nationwide commercial and real estate lender and then to a traditional commercial bank. These three strategies defined different methods for the bank to address its CRA obligations. Through the transitions, the bank's focus changed from meeting its CRA obligations through community development activities to include retail lending. The timing of the transitions and related changes resulted in lending becoming a more significant part of the bank's CRA obligations in the latter part of the evaluation period.⁴ As of the evaluation date, the bank was in the early stages of its transition to a traditional commercial lender, which partially accounts for the low level of lending concentrated in its assessment areas. Another factor contributing to the bank's low level of lending in the assessment areas is the highly competitive markets in which the bank operates essentially now as a new entrant due to its change in business strategy.

Within this performance context, it is appropriate to give the performance in the bank's Minneapolis assessment area the greatest weight. The bank's residential real estate lending in the Minneapolis assessment area is approximately 95% of all such lending in the bank's assessment areas. The comparable percentage for small business lending is approximately 67%. During the transition periods, it appears that the bank's capacity to make new loans in the Minneapolis assessment area is higher than in the other assessment areas.

⁴For the first part of the evaluation period, the bank's CRA obligations were based on its limited-purpose bank designation and, thus, focused entirely on community development activities. After the bank was no longer a limited-purpose bank, it became an ISB and was subject to the CRA obligations for such banks. Given the bank's nationwide lending focus at that time, bank management proposed options for the bank to continue meeting its CRA obligations under a strategic plan primarily focused on community development activities, but not excluding lending. When the bank transitioned from a nationwide lending focus to a more traditional commercial lender, the bank's business strategy better aligned with the ISB standards for CRA performance, which includes both community development activity and lending.

The net loan-to-deposit ratio analysis and the comparison of lending inside and outside the assessment areas are completed at the bank level as opposed to the individual assessment area level; these two factors are discussed in detail subsequently. A summary of the bank's overall performance in two other performance criteria, distribution of loans to borrowers of different incomes and businesses of different sizes and to census tracts of different income levels, is also set forth below. Since the bank has more than one assessment area, the detailed discussion of the bank's distribution of loans to borrowers of different incomes and businesses of different sizes and to census tracts of different income levels can be found in the state or individual assessment area sections of this evaluation.

LOAN-TO-DEPOSIT RATIO ANALYSIS

The bank's net loan-to-deposit ratio is reasonable given the bank's asset size, financial condition, as well as the assessment areas' credit needs and competitive environments. The bank's quarterly average net loan-to-deposit ratio for the period since the last evaluation is 72%.

For the first part of the evaluation period, the bank's lending strategy was nationwide. The evaluation revealed no similarly situated banks for comparison with the bank. As such, a comparison to its national peer group is appropriate for the first part of the evaluation period. The bank's national peer group includes all insured commercial banks having assets between \$300 million and \$1 billion. The June 30, 2007, Uniform Bank Performance Report shows the bank's net loan-to-deposit ratio of 81% is slightly lower than the 87% net loan-to-deposit ratio for the national peer group. The national peer group's quarterly average net loan-to-deposit ratio for the period since the last evaluation is 86%, which is higher than the bank's quarterly average of 72%.

For the period since March 23, 2007, the bank's lending strategy became more localized in the assessment areas. For this part of the evaluation period, a comparison to the bank's local competitors is appropriate. The evaluation again revealed no other banks that are similarly situated with the bank.

Table 4 sets forth the quarterly average net loan-to-deposit ratios for the bank and four commercial banks with offices in the bank's Minneapolis assessment area.⁵ These banks operate in the Minneapolis assessment area, but may differ from the bank in business strategies during the evaluation period, asset size, loan portfolio composition, and branching strategy. These banks were identified by bank management as current competitors in the Minneapolis market.

<i>Bank</i>	<i>Total Assets as of June 30, 2007 (in thousands)</i>	<i>Nine-Quarter Average Ratio</i>
BANKFIRST, Sioux Falls, South Dakota	\$541,569	72%
Crown Bank, Edina, Minnesota	\$229,194	93%
Voyager Bank, Eden Prairie, Minnesota	\$524,907	91%
Western Bank, St. Paul, Minnesota	\$346,185	112%
Bank of Elk River, Elk River, Minnesota	\$411,270	87%

⁵A comparison to banks in Sioux Falls or Chandler is not included because no similarly situated or competitor banks could be identified.

The bank's quarterly average net loan-to-deposit ratio is lower than the national peer group and Minneapolis assessment area competitors. The bank's ratio, however, does not reflect much of the bank's lending activity given the strategy applied to the nationwide commercial real estate lending and residential real estate lending in place for the first part of the evaluation period. The bank originated and sold loans, or parts thereof, which likely were not reflected in the quarterly net loan-to-deposit ratio used to calculate the average since the last evaluation.⁶ During the first part of the evaluation period, the bank originated and actively sold loans. Thus, the bank's quarterly loan-to-deposit ratio is not reflective of the entirety of the bank's lending activity; if such loans were captured in the calculation of the net loan-to-deposit ratio, the bank's ratio would be higher. As previously mentioned, the bank has been subject to WAs; however, the WAs do not appear to be a constraint affecting the bank's net loan-to-deposit ratio.

In light of the March 2007 business strategy change, competitive factors affecting the bank's ability to serve credit needs in the assessment areas also changed. Nationwide competitive factors decreased, but local competitive factors increased in influence. BANKFIRST is a new entrant into the markets it serves under the new retail lending strategy. The Minneapolis and Sioux Falls assessment areas have very competitive financial markets. The Minneapolis assessment area is served by several large banks and branches of many regional banks. Other players in the market include credit unions, community banks, and nonbank lenders. The Sioux Falls assessment area is equally diverse and competitive. As a result, the bank's lending since March 2007 has been limited by competitive factors.

The bank originated loans during the evaluation period. Since the previous evaluation, BANKFIRST's nine-quarter average net loan-to-deposit ratio is 72% and appears reasonable when compared to the national peer group and competitor banks. Given the bank's lending activity, asset size, financial condition, and business strategy as well as the lack of identified unfulfilled credit needs in the assessment areas, the bank's net loan-to-deposit ratio is reasonable.

COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE THE ASSESSMENT AREA

The bank's lending in its assessment areas is low. The bank did not originate a substantial majority of the loans within its assessment areas. Overall, the bank extended 21.0% of loans by volume and 18.4% by dollar amount in its assessment areas. These low percentages reflect the nationwide focus of the bank's lending for most of the evaluation period. Although the bank's strategy since March 2007 focuses on serving local credit needs, the loan data include few loans originated between March 2007 and the end of the sample period, July 1, 2007, due to the previously described competitive factors.

Residential real estate lending. Based on the HMDA data, the bank extended 19.2% of its residential real estate loans inside the assessment areas. This percentage equates to approximately \$68 million in loans originated in the bank's assessment areas. The low percentage reflects the bank's nationwide focus for most of the sample period, February 1, 2006, to July 1, 2007, for this loan type. The \$68 million in loans represents 17% of gross loans as of June 30, 2007.

Small business lending. Based on the small business loan sample, the bank extended 70.8% by number and 57.1% by dollar amount of small business loans in the assessment areas. These figures equate to approximately \$12 million in loans originated in the bank's assessment areas. Most of the bank's commercial lending during the evaluation period was loans with original principal balances of greater

⁶If a loan was on the bank's books on March 31, June 30, September 30, or December 31 for the period since the last evaluation, it would have been included in net loans for that date and the net loan-to-deposit ratio calculation. Originated loans not on the books as of these dates would not have been reflected in net loans or the net loan-to-deposit calculation.

than \$1 million. Such loans are not small business loans by definition. The small business loan sample captured smaller loans that were not the primary focus of the bank's lending strategy.

Despite reasonable lending inside the assessment areas for small business loans, the bank's overall lending in the assessment areas relative to lending outside the assessment areas is low.

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS AND TO BUSINESSES OF DIFFERENT SIZES

Overall, the bank's lending to borrowers of different income levels and to business of different sizes is merely adequate. Based on loan activity, only the bank's Minneapolis assessment area had sufficient activity warranting analysis. The bank did not originate a sufficient number of loans in the other assessment areas for a meaningful analysis. Additional information about this performance criterion is in the Minneapolis assessment area section of this evaluation.

GEOGRAPHIC DISTRIBUTION OF LOANS

Overall, the geographic distribution of the bank's loans is merely adequate. Like the previous performance criterion, only the bank's Minneapolis assessment area had sufficient activity warranting analysis of the bank's geographic distribution of loans. The bank did not originate a sufficient number of loans in the other assessment areas for a meaningful analysis. Additional information about this performance criterion is in the Minneapolis assessment area section of this evaluation.

RECORD OF RESPONSE TO CRA-RELATED COMPLAINTS

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

COMMUNITY DEVELOPMENT TEST

The bank's performance under the Community Development Test is rated satisfactory. The bank's community development activity reflects good responsiveness to community development needs. The bank focused most of its efforts on making qualified investments in the Minneapolis and Sioux Falls assessment areas. These assessment areas present the greatest level of community development opportunities for the bank given its business strategy and resources. Given the bank's record of community development activity as a limited-purpose bank and previously mentioned strategic changes and resources, the bank's qualified investment activity received the most weight under this test.

Qualified investments. The level of the bank's qualified investments is good. During the evaluation period, the bank purchased six qualified investment securities totaling approximately \$6.2 million. It also continued to hold 11 qualified investments currently valued at approximately \$1.3 million from the previous evaluation. At the previous evaluation, the bank held qualified investments totaling \$2.2 million. Since the last evaluation, the bank increased its qualified investment securities by approximately 240.9%.

The bank made 77.6% of the qualified investment securities by dollar amount in Minnesota and 22.4% in South Dakota. The new qualified investments are focused on addressing affordable housing and economic development needs within these assessment areas. Opportunities for making such investments are available in the assessment areas, and the bank's involvement in such activities helps meet the community development needs of these assessment areas.

The level of bank donations that are qualified investments is good. Since the previous evaluation, the bank donated \$194,662 to organizations with a community development purpose. At the previous evaluation, the bank donated \$63,987 to such organizations. The bank increased its qualified investment donations significantly since the last evaluation. It made 23.6% of the donations in the Minneapolis assessment area, 72.4% in the Sioux Falls assessment area, and 4.0% in the Chandler assessment area. In all assessment areas, the bank's donations supported services for low- and moderate-income individuals, affordable housing, and economic development.

Community development services. Since the previous evaluation, bank employees provided a limited number of community development services in its assessment areas. Bank employees participated in providing services to organizations focused on affordable housing, economic development, as well as targeted to serving the needs of low- and moderate-income individuals and families. Since the previous evaluation, bank employees provided a limited number of community development services to organizations in the Minneapolis assessment area. In the Sioux Falls assessment area, bank employees continue to provide a reasonable level of services to community development organizations that provide services targeted to low- and moderate-income individuals and families and help stimulate economic development within this assessment area. The bank provided one community development service in the Chandler assessment area. The overall level of community development services is consistent with the bank's previous CRA evaluation.

Community development loans. The bank extended one \$62,500 community development loan in the Sioux Falls assessment area since the previous evaluation. The loan was for affordable housing. This level of activity shows a slight decrease compared with the bank's activity at the previous evaluation.

A detailed discussion of community development activities is included in the Conclusions with Respect to Performance Tests section for each assessment area.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of violations of antidiscrimination laws or regulations, including Regulation B--Equal Credit Opportunity Act, Regulation C--Home Mortgage Disclosure Act, and the Fair Housing Act, or other illegal credit practices inconsistent with the bank helping to meet community credit needs was revealed.

MINNESOTA

CRA RATING FOR MINNESOTA: Satisfactory
The Lending Test is rated: Satisfactory.
The Community Development Test is rated: Satisfactory.

SCOPE OF EXAMINATION

The scope of the evaluation for Minnesota is consistent with the overall scope described in the Scope of Examination section of the evaluation. The bank has one assessment area in the state of Minnesota; consequently, the bank's rating for the state of Minnesota is based solely on the conclusions about the performance in the Minneapolis assessment area.

The bank's performance in the Minneapolis assessment area was based on quantitative and qualitative aspects under the performance criteria for the Lending Test: net loan-to-deposit ratio, lending inside the assessment area, lending in geographies of different income levels, and lending to borrowers of different income levels and to businesses of different sizes. The scope of review in the Minnesota assessment area also included the quantitative and qualitative factors under the Community Development Test, which focus on community development loans, qualified investments, and community development services.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN MINNESOTA

The bank has designated one assessment area in Minnesota. The assessment area is seven counties in the Minneapolis-St. Paul-Bloomington, MN-WI MSA; the counties in the assessment area are Hennepin, Ramsey, Dakota, Carver, Washington, Scott, and Anoka in the Minnesota section of the MSA. The bank currently has one branch in this assessment area located at 800 Marquette Avenue, Minneapolis. This branch offers commercial credit and consumer financing. The loan officers in Minneapolis mostly originate commercial loans such as operating loans and loans for business capital. The bank did not extend loans from this location until the latter part of 2006 due to its nationwide lending focus.

During the first part of the evaluation period, the bank operated a commercial lending business line from an office in Minneapolis and a residential real estate business line from an office in Eden Prairie. The commercial lending business line focused on large-dollar loans originated to borrowers nationwide. The bank also operated as a national lender with both wholesale and retail residential real estate loan production. The bank sold almost all loans to the secondary market. The majority of the bank's loan activity for the Eden Prairie office was wholesale lending, which originated from broker referrals. The bank ceased the commercial lending activity effective March 31, 2007, and the residential real estate lending activity effective April 30, 2007.

According to the June 30, 2006, Federal Deposit Insurance Corporation Deposit Market Share Report, the bank had total deposits of approximately \$193.7 million, representing 0.3% of the total deposits in this seven-county market. The bank ranks 30th in market share within this market. Deposits in the Minneapolis assessment area represent 42% of the bank's total deposits.

The assessment area demographic data is set forth in Table 5.

<i>Income Categories</i>	<i>Tract Distribution</i>		<i>Families by Tract Income</i>		<i>Families < Poverty Level as % of Families by Tract</i>		<i>Families by Family Income</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	47	6.8	23,480	3.5	7,019	29.9	109,960	16.6
Moderate Income	143	20.8	106,041	16.0	10,013	9.4	120,343	18.2
Middle Income	319	46.3	333,453	50.3	9,452	2.8	171,205	25.8
Upper Income	176	25.5	199,746	30.1	2,606	1.3	261,212	39.4
Unknown Income	4	0.6	0	0.0	0	0.0	0	0.0
Total Assessment Area	689	100.0	662,720	100.0	29,090	4.4	662,720	100.0
<i>Income Categories</i>	<i>Housing Units by Tract</i>	<i>Housing Types by Tract</i>						
		<i>Owner-Occupied</i>			<i>Rental</i>		<i>Vacant</i>	
		<i>#</i>	<i>%</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	50,238	12,357	1.7	24.6	35,424	70.5	2,457	4.9
Moderate Income	206,205	104,992	14.4	50.9	95,075	46.1	6,138	3.0
Middle Income	516,732	382,047	52.4	73.9	123,729	23.9	10,956	2.1
Upper Income	274,065	229,721	31.5	83.8	38,109	13.9	6,235	2.3
Total Assessment Area	1,047,240	729,117	100.0	69.6	292,337	27.9	25,786	2.5
<i>Income Categories</i>	<i>Total Businesses by Tract</i>		<i>Businesses by Tract and Revenue Size</i>					
			<i>≤\$1 Million</i>		<i>> \$1 Million</i>		<i>Revenue Not Reported</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	4,215	4.2	3,583	4.2	541	4.5	91	4.9
Moderate Income	16,299	16.4	13,681	16.0	2,252	18.6	366	19.9
Middle Income	50,402	50.7	42,948	50.2	6,546	54.0	908	49.3
Upper Income	28,444	28.6	25,205	29.5	2,774	22.9	465	25.3
Unknown Income	73	0.1	52	0.1	11	0.1	10	0.5
Total Assessment Area	99,433	100.0	85,469	100.0	12,124	100.0	1,840	100.0
Percentage of Total Businesses				86.0			12.2	1.9
<i>Income Categories</i>	<i>Total Farms by Tract</i>		<i>Farms by Tract and Revenue Size</i>					
			<i>≤\$1 Million</i>		<i>> \$1 Million</i>		<i>Revenue Not Reported</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	5	0.3	5	0.3	0	0.0	0	0.0
Moderate Income	60	4.0	55	3.7	3	10.0	2	33.3
Middle Income	952	63.2	933	63.5	17	56.7	2	33.3
Upper Income	488	32.4	476	32.4	10	33.3	2	33.3
Unknown Income	1	0.1	1	0.1	0	0.0	0	0.0
Total Assessment Area	1,506	100.0	1,470	100.0	30	100.0	6	100.0
Percentage of Total Farms				97.6			2.0	0.4

Income levels. For purposes of classifying borrower income, this evaluation uses the Department of Housing and Urban Development's estimated median family income for the Minneapolis-St. Paul-Bloomington, MN-WI MSA. This figure was \$78,500 for 2006 and \$77,600 for 2007. For purposes of classifying census tract income levels, this evaluation uses the Minneapolis-St. Paul-Bloomington,

MN-WI MSA median family income of \$64,885 from the 2000 census. The 2000 median family income for the bank's assessment area is \$65,665, which is only slightly higher than the figure for the MSA as a whole.

Population. The population of this assessment area is 2,642,056 according to 2000 U.S. Census data. The assessment area's population represents 89% of the MSA population. According to 2000 census data, 4.4% of the families in the assessment area have incomes below the poverty level; this percentage is similar to the MSA's percentage.

Economy. According to community contacts and bank management, the economy of the Minneapolis assessment area is generally strong and diversified. Some of the important growing sectors of the economy are life sciences, biotechnology, medical technology, and health care. Other important sectors include education, financial services, and retail. A community contact mentioned a loss of manufacturing jobs in the assessment area. Minneapolis is the headquarters for a number of nationwide companies. Community contacts suggested that most of the business activity in the market has been national retail activity and not local small business activity. Some emerging small businesses face challenges, such as providing adequate collateral, demonstrating stability, and meeting the competition from an abundance of existing small businesses.

Data from the U.S. Department of Labor's Bureau of Labor Statistics show the monthly unemployment rate for August 2007 in the Minneapolis assessment area is 4.1%. The state unemployment rate is 4.2%, and the national unemployment rate is 4.7% for the same period.

Housing. Bank management and community contacts indicated that affordable housing is still a concern for the Minneapolis-St. Paul-Bloomington, MN-WI MSA. According to data from the Research Division of the National Association of REALTORS, the average single-family home value for 2005 was \$234,800, for 2006 was \$228,300, and for the first two quarters of 2007 was \$227,100. The mortgage loan payment for a home purchased at \$227,100 for 30 years at 6% interest rate would be approximately \$1,362. Low- and moderate-income borrowers would likely not be able to afford a home at this price given the monthly mortgage payment.

Bank management and community contacts did not identify any unmet credit needs within this assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MINNESOTA

The bank's lending performance reflects a marginally reasonable responsiveness to the credit needs within the Minneapolis assessment area. The bank reasonably lends to borrowers of different income levels and to businesses of different sizes. The geographic distribution of the bank's lending is also reasonable. The bank's level of community development activity in the Minneapolis assessment area is good and responsive to assessment area needs. The bank actively makes qualified investments through buying securities and making donations.

LENDING TEST

The bank's level of lending reflects a marginally reasonable responsiveness to credit needs in the Minneapolis assessment area. The Lending Test rating for Minnesota is based on the bank's net loan-to-deposit ratio and concentration of lending inside the assessment areas in addition to the borrower and geographic distributions of loans, as discussed in detail below. The data used to analyze the borrower and geographic distributions of loans are based on the bank's HMDA loans from February 1, 2006, to

June 30, 2007, and a sample of small business loans originated from February 1, 2006, to June 30, 2007. The bank's residential real estate lending in the Minneapolis assessment area is approximately 95% of all such lending in the bank's assessment areas. The comparable percentage for small business lending is approximately 67%. For this reason, the bank's performance in the Minneapolis assessment area received the most weight in determining the overall Lending Test rating, as previously discussed. Table 6 shows the number and dollar amount of the bank's residential real estate loans and small business loans reviewed during evaluation.

<i>Loan Type</i>	<i>Number of Loans</i>		<i>Amount of Loans (in thousands)</i>	
Home Purchase	176	54%	\$31,966	49%
Refinance	148	45%	31,679	49%
Home Improvement	4	1%	1,208	2%
Multifamily	0	0%	0	0%
TOTAL HMDA LOANS	328	100%	\$64,853	100%
Small Business	31		\$10,688	

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS AND TO BUSINESSES OF DIFFERENT SIZES

The bank's performance in providing loans to borrowers of different income levels and businesses of different sizes is reasonable in the assessment area.

Residential real estate loans. The bank's residential real estate lending to low- and moderate-income borrowers in the Minneapolis assessment area is reasonable. The bank extended 328 residential real estate loans in the Minneapolis assessment area during the sample period. The bank did not report income for 30% of the loans. These loans are not included in Table 7, but are included when calculating the percentages set forth in the table. The data in Table 7 also reflect the bank's practice of extending first and second mortgages to borrowers simultaneously. The data set forth in Table 7 include 86 of these loans, commonly referred to as "piggyback loans," which make up approximately 26% of the HMDA loans in the Minneapolis assessment area. The breakdown of borrower income level for the piggyback loans was 6% low income, 22% moderate income, 47% middle income, and 25% upper income. The number of loans in Table 7 are based on counting the first and second mortgage loans separately. Table 7 shows the distributions of home purchase and refinance loans by borrower income.

<i>Income Level of Borrower</i>	<i>Low</i>				<i>Moderate</i>				<i>Middle</i>				<i>Upper</i>			
	<i>Loan Type</i>	#	%	\$ (000s)	%	#	%	\$ (000s)	%	#	%	\$ (000s)	%	#	%	\$ (000s)
Home Purchase	1	0.6	118	0.4	27	15.3	3,495	10.9	24	13.6	4,098	12.8	58	33.0	12,945	40.5
Refinance	12	8.1	1,403	4.4	28	18.9	4,283	13.5	38	25.7	7,161	22.6	40	27.0	10,807	34.1
Total HMDA Loans ⁷	13	4.0	1,521	2.3	56	17.1	8,005	12.3	62	18.9	11,259	17.4	100	30.5	24,583	37.9

⁷The bank's multifamily dwelling and home improvement lending data are not included due to the low number of such loans.

The bank extended 4.0% of its residential real estate loans, almost all of which are refinance loans, to low-income borrowers. The bank's performance is less than expected given the percentage of low-income families in the assessment area, which is 16.6%; the bank's performance likely reflects the affordable housing shortage in the assessment area. For 2006, however, the bank's performance overall is only slightly lower than that of the aggregate lenders.⁸ Aggregate lenders extended 6.5% of HMDA loans to low-income borrowers.

For moderate-income borrowers, the bank's performance is better than for low-income borrowers. The bank extended 17.1% of residential real estate loans to moderate-income borrowers. The bank's performance is roughly similar to that which would be expected given the demographics of the assessment area where 18.2% of families are moderate income. In contrast, it is lower than the performance of the aggregate lenders, who extended 22.6% of loans to moderate-income borrowers.

Overall, the distribution of the bank's residential real estate loans by borrower income is reasonable. The bank's residential real estate lending to low-income borrowers is less than the aggregate lenders for 2006 and lower than the percentage of low-income families in the assessment area. Lending to moderate-income borrowers more closely approximated the percentage of moderate-income families in the assessment area, but was still lower than the aggregate lenders for 2006. For these reasons, the distribution of the bank's residential real estate lending by borrower income is reasonable.

Small business lending. The bank's lending to small businesses is reasonable. The bank extended 61.3% of its small business loans to entities with gross annual revenues of \$1 million or less. According to reports published by Dun & Bradstreet, 86.0% of the businesses in the assessment area are considered small business entities; the bank's lending to smaller entities is lower than expected given this data. Table 8 shows the distributions of the bank's small business loans by size of loan.

TABLE 8				
Distribution of Small Business Loans by Size of Loans				
<i>2006 and 2007 Small Business Loans</i>	$\leq \$100,000$	$> \$100,000$ to $\leq \$250,000$	$> \$250,000$ to $\leq \$1,000,000$	<i>Total Originations</i>
Percentage of Small Business Loans	35.5	16.1	48.4	100.0
Percentage of Loans to Businesses with Revenues \leq \$1 Million	36.8	15.8	47.4	61.3

During 2006, the bank extended 71.4% of its small business loans to entities with gross annual revenues of \$1 million or less. The bank's record of lending to small businesses is better than aggregate reporters who originated 45.4% of small business loans to entities with gross annual revenues of \$1 million or less in 2006.⁹ The small business loan distribution by loan size for the aggregate reporters is 96.3% for loans of \$100,000 or less, 1.6% for loans greater than \$100,000 but less than or equal to \$250,000, and 2.1% for all other small business loans. The bank's performance based on loan amount differs from that of the aggregate reporters, many of whom are issuers of business-purpose credit cards, typically small-dollar credits, which is a product not offered by the bank.

⁸Aggregate lenders are all lenders reporting HMDA data for the bank's assessment area. At the time of this evaluation, the 2007 aggregate data were not available.

⁹Aggregate reporters are all lenders reporting CRA data in the bank's assessment area. At the time of this evaluation, the aggregate data for small business loans were not available for 2007.

As previously mentioned, for the first part of the evaluation period, the bank's lending emphasis was large-dollar commercial credits. Its small business lending, which is reflected in Table 8, reflects relationship lending. Despite its national commercial lending focus, the bank extended small business loans in the Minneapolis assessment area, and borrowers with gross annual revenues of \$1 million or less received these loans. The bank had not fully transitioned to its new lending strategy as a traditional commercial lender during the evaluation period; thus, the loan data do not reflect the new strategy. Thus, the distribution of the bank's small business loans is reasonable.

Overall, the bank's lending reflects reasonable penetration among individuals of different income levels and businesses of different sizes for the Minneapolis assessment area.

GEOGRAPHIC DISTRIBUTION OF LOANS

The bank's loans are dispersed and distributed throughout the Minneapolis assessment area. The bank's lending is widely distributed given the size of the Minneapolis assessment area relative to the number of loans originated by the bank, but revealed no unexplained gaps. Furthermore, the bank's lending is not clustered in any particular area within the assessment area.

The bank's Minneapolis assessment area has 689 census tracts. The bank extended loans in approximately 30.5% of the census tracts. More specifically, the bank extended loans in 10 of 47 low-income census tracts, 33 of 143 moderate-income census tracts, 98 of 319 middle-income census tracts, and 69 of 176 upper-income census tracts. The bank's size, location, and branch network affect its ability to serve all parts of its assessment areas. For this reason, the dispersion of its lending in the Minneapolis assessment area appears reasonable.

Residential real estate lending. The distribution of the bank's residential real estate lending among census tracts of different income levels is good. The data set forth in Table 9 show the bank extended 4.3% of loans to borrowers in low-income census tracts and 18.3% in moderate-income census tracts.

<i>Income Level of Borrower</i>	<i>Low</i>				<i>Moderate</i>				<i>Middle</i>				<i>Upper</i>			
<i>Loan Type</i>	#	%	\$ (000s)	%	#	%	\$ (000s)	%	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Home Purchase	7	4.0	848	2.7	40	22.7	4,881	15.3	76	43.2	12,206	38.2	53	30.1	14,031	43.9
Refinance	7	4.7	689	2.2	20	13.5	3,529	11.1	81	54.7	13,979	44.1	40	27.0	13,482	42.6
Total HMDA Loans	14	4.3	1,537	2.4	60	18.3	8,410	13.0	158	48.2	26,335	40.6	96	29.3	28,571	44.1

Low-income census tracts represent 6.8% and moderate-income census tracts represent 20.8% of the Minneapolis assessment area's overall tract distribution. Further, 3.5% of families reside in low-income tracts and 16.0% of families reside in moderate-income tracts. Only 1.7% of owner-occupied units are in low-income census tracts, and 14.4% of owner-occupied units are in moderate-income census tracts. The bank's residential real estate lending in low- and moderate-income census tracts compares favorably to assessment area demographic data, especially the distribution of owner-occupied units.

The bank's geographical distribution of residential real estate loans is better than the performance of the aggregate lenders. The aggregate lenders originated 3.2% of 2006 HMDA loans in low-income census tracts and 16.4% in moderate-income census tracts. Overall, the distribution and dispersion of the bank's residential real estate lending among census tracts of different income levels are good.

Small business lending. The distribution of small business loans is merely adequate. The bank extended 16.1% of small business loans in low-income census tracts and no such loans in moderate-income census tracts. The 16.1% of small business loans is five of the 31 loans in the assessment area. According to data reported by Dun & Bradstreet, 4.2% of small businesses are located in low-income census tracts while 16.4% are in moderate-income census tracts. The bank's performance compares very favorably to the demographic data for low-income census tracts but not for the moderate-income census tracts. The aggregate reporters made 3.1% of small business loans to businesses in low-income census tracts and 13.5% to borrowers in moderate-income census tracts. The bank's lending in low-income census tracts is more favorable than the aggregate lenders, but in moderate-income census tracts, it does not compare well. Given the nature of the bank's business lines and the lending strategies of the bank during the evaluation period, the bank's small business loans were primarily generated through relationship lending. Therefore, the bank's small business loans are widely dispersed. The bank's small business lending to businesses located in low- and moderate-income census tracts is merely adequate given the lack of lending in moderate-income census tracts.

Overall, the geographic distribution of loans is reasonable. The geographic distribution shows that the bank originates loans in low- and moderate-income census tracts, and loans are generally dispersed throughout the assessment area.

COMMUNITY DEVELOPMENT TEST

The bank's level of community development activity in the Minneapolis assessment area is good. The bank's community development activity reflects a good responsiveness to community development needs. The bank's strongest performance in this assessment area is in qualified investments.

Qualified investments. The bank purchased five new qualified investments, totaling approximately \$5.4 million, in the assessment area since the previous evaluation and continued to hold four other qualified investment securities since the last evaluation. The current value of all the bank's qualified investment securities in the Minneapolis assessment area is approximately \$5.9 million; at the last evaluation, the bank's qualified investment securities totaled \$962,326.

Three of the new investments are mortgage-backed securities. The mortgages in the loan pool for two of the new investments were originated to low- and moderate-income borrowers only in the Minneapolis assessment area. The other new qualified investment is a mortgage-backed security for approximately \$1.3 million that benefited both this assessment area and the Sioux Falls assessment area. This qualified investment is collateralized by four loans located in Minneapolis assessment area with principal balances totaling \$642,532. Last, the bank made two investments in a Small Business Investment Company through the U.S. Small Business Administration totaling \$3 million.

The bank has two mortgage-backed securities that it continues to hold, but were purchased prior to the current evaluation period. Additionally, the bank continues to hold an investment made to an organization that has a revolving loan pool for low-income individuals who need small debt consolidation loans. The bank also continues to hold a certificate of deposit in a local minority-owned community development credit union.

The bank has actively donated to organizations with community development purposes. Since the previous evaluation, the bank donated \$45,893 to organizations with a community development purpose in the Minneapolis assessment area. The bank's donation activity increased significantly since the prior evaluation period when qualified investments in the form of donations within the Minneapolis assessment area were \$17,350.

Community development services. Since the previous evaluation, bank employees provided a limited number of community development services in the Minneapolis assessment area. One bank employee provided services to an organization focused on affordable housing. At the time of the previous evaluation, the bank did not have any community development services in the assessment area.

Community development loans. The bank did not extend any community development loans in the assessment area since the previous evaluation. This level of activity is consistent with the bank's activity at the previous evaluation. During the evaluation period, the bank did not actively focus on lending, including community development loans, in the assessment area.

Overall, the bank has shown a good responsiveness to community development needs in the Minneapolis assessment area and has increased its community development activities since the prior evaluation. As a limited-purpose bank, the bank aimed to meet the needs of its Minnesota assessment area through community development activities. Given its strategies during the current evaluation period, the bank continued to fulfill these needs, especially by focusing on making qualified investments. The mix of the bank's community development activities is appropriate given the bank's characteristics during the evaluation period. The bank's qualified investment activity received the most weight because of the bank's business strategy. The bank also focused its community development activities in affordable housing, which is a need in the Minneapolis assessment area. For these reasons, the bank's community development activity is good.

SOUTH DAKOTA

CRA RATING FOR SOUTH DAKOTA: Needs to Improve

The Lending Test is rated: Needs to Improve.

The Community Development Test is rated: Satisfactory.

SCOPE OF EXAMINATION

The scope of the evaluation for South Dakota is consistent with the overall scope described in the Scope of Examination section of the evaluation. The bank had two assessment areas in the state during the evaluation period: Sioux Falls and Brookings/Toronto. The bank's performance in the Sioux Falls assessment area received the greatest weight for rating the bank's performance in South Dakota given the bank's loan activity and percentage of market share for deposits. The Sioux Falls assessment area received a full-scope review.

The bank's performance in the Sioux Falls assessment area was based on quantitative and qualitative aspects under the performance criteria for the Lending Test: net loan-to-deposit ratio, lending inside the assessment area, geographic distribution of lending, and lending to borrowers of different income levels and to businesses of different sizes. The scope of review for the Sioux Falls assessment area also included the quantitative and qualitative factors under the Community Development Test, which focus on community development loans, qualified investments, and community development services.

A limited-scope review was conducted for the Brookings/Toronto assessment area to determine if the bank's performance in this assessment area was consistent with overall performance of the bank in the state of South Dakota.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN SOUTH DAKOTA

During the evaluation period, the bank operated three branches in South Dakota. The bank's main office is located in Sioux Falls, and the bank operated branches in Brookings and Toronto for part of the evaluation period. Based on its office locations and regulatory requirements, the bank defined two assessment areas in South Dakota.

The bank's Sioux Falls assessment area is defined as two of four counties in the Sioux Falls, SD MSA: Minnehaha and Lincoln counties. The bank currently has one office, located at 6100 South Old Village Place, in this assessment area. This office is also the bank headquarters, which is in a new location, due to a relocation occurring on December 1, 2006. The bank's former Sioux Falls office was located at 2600 West 49th Street.

As previously described in the Description of the Institution section of this report, the bank has gone through strategic changes that affected lending activity in the Sioux Falls assessment area. The bank historically had a limited retail presence in the assessment area given its focus on nationwide lending. Under the most recent business strategy, the bank is still establishing itself in this assessment area and building a local retail lending presence and customer base. The bank's current commercial financing products include working capital lines of credit, real estate, term loans, and standby letters of credit. The bank also offers personal loans and lines of credit.

The Brookings/Toronto assessment area consists of eight east-central South Dakota counties, which are Brookings, Codington, Deuel, Grant, Hamlin, Kingsbury, Lake, and Moody. During the evaluation period, this assessment area was home to two branch offices, one in Brookings and one in Toronto. In December 2006, the bank sold its Brookings office. In January 2007, the bank sold its Toronto office.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN SOUTH DAKOTA

Overall, the bank's lending performance in South Dakota is weak. The sample of loans inside the state was not sufficient to conduct a lending analysis in either the Sioux Falls or Brookings/Toronto assessment areas. This level of activity reflects the bank's lending strategies during the evaluation period.

The bank's level of community development activity in South Dakota is good. The bank engages in community development activities within the Sioux Falls assessment area and is responsive to the assessment area needs. The bank provides very limited support to community development activities within the Brookings/Toronto assessment area. The level of qualified investments and the responsiveness of these qualified investments within the Sioux Falls assessment area are good.

LENDING TEST

The bank's lending performance in South Dakota is weak. The Lending Test rating for South Dakota is based on the bank's net loan-to-deposit ratio, concentration of lending inside the assessment areas, and minimal lending activity in the state. During the evaluation period, the bank did not originate a significant number of loans in either South Dakota assessment area. The bank's lending data is not sufficient for meaningful analysis. Therefore, it is not possible to draw conclusions about the bank's lending to borrowers of different income levels and to businesses of different sizes or its geographic distribution of loans. Given the bank's reasonable net loan-to-deposit ratio, low concentration of lending in assessment areas, and minimal lending in South Dakota, the Lending Test rating for South Dakota is needs to improve.

COMMUNITY DEVELOPMENT TEST

The bank's level of community development activity in South Dakota is good. The vast majority the bank's community development activities occurred in the Sioux Falls assessment area. The bank's community development activity reflects a good responsiveness to community development needs. The strongest area of performance for the bank is its qualified investments. The following is a summary of the community development activities occurring within South Dakota. Additional information about the bank's community development activities is in the Sioux Falls assessment area section of this evaluation.

Qualified investments. The bank's qualified investments, which included securities and donations, increased since the last evaluation. The bank purchased two new qualified investment securities, totaling approximately \$783,392, in the South Dakota assessment areas since the previous evaluation. Including qualified investments that the bank continued to hold since the last evaluation, qualified investment securities in South Dakota total approximately \$1.7 million. At the last evaluation, the bank held \$1.2 million in qualified investment securities in South Dakota. The bank's level of qualified investments increased slightly since the last evaluation. The bank continues to hold a mortgage-backed security and an equity equivalent investment for \$500,000 made to a state organization that serves South Dakota by offering financing programs for community development institutions, revolving loan funds, and economic development corporations and by bringing new products and services into the rural economic development market.

The bank has also been active in making donations that are qualified investments. Since the previous evaluation, the bank donated \$141,019 to organizations with a community development purpose. For the September 6, 2005, evaluation period, the bank donated \$38,496 to such organizations within South Dakota.

Community development services. Two bank employees were involved in activities that benefited an affordable housing organization, an organization that provides services targeted to low- and moderate-income individuals and families, and organizations that help stimulate economic development within the Sioux Falls assessment area. This level of performance is similar to the bank's activity at its previous evaluation.

Community development loans. The bank extended one community development loan in the amount of \$62,500 in the South Dakota assessment area since the previous evaluation. The loan was for affordable housing. This level of activity shows a slight decrease compared with the bank's activity at the previous evaluation.

Overall, the bank has shown a good responsiveness to community development needs in its South Dakota assessment areas and has increased its community development activities. As a limited-purpose bank, the bank aimed to meet the needs of its communities within South Dakota through community development activities. Given its strategies during the current evaluation period, the bank continued to fulfill these needs, especially by focusing on making qualified investments. The mix of the bank's community development activities is appropriate given the bank's characteristics during the evaluation period. The bank also reasonably focused its community development activity on affordable housing, an identified need in the assessment area. For these reasons, the bank's Community Development Test rating for South Dakota is satisfactory.

SOUTH DAKOTA – METROPOLITAN AREA

DESCRIPTION OF INSTITUTION’S OPERATIONS IN SIOUX FALLS, SOUTH DAKOTA, MSA

The bank’s assessment area is defined as two of four counties in the Sioux Falls, SD MSA: Minnehaha and Lincoln counties. The bank currently has one office, located at 6100 South Old Village Place, in this assessment area. This office is also the bank headquarters, which is in a new location, due to a relocation occurring on December 1, 2006. The bank’s former Sioux Falls office was located at 2600 West 49th Street.

As previously described in the Description of the Institution section of this report, the bank has gone through strategic changes that affected lending activity in the Sioux Falls assessment area. The bank historically had a limited retail presence in the assessment area given its focus on nationwide lending. Under the most recent business strategy, the bank is still establishing itself in this assessment area and building a local retail lending presence and customer base. The bank’s current commercial financing products include working capital lines of credit, real estate, term loans, and standby letters of credit. The bank also offers personal loans and lines of credit.

According to the June 30, 2007, Federal Deposit Insurance Corporation Deposit Market Share Report, the bank had total deposits in the Sioux Falls assessment area of approximately \$270.7 million, representing 0.5% of the total deposits within the bank’s assessment area. The bank ranks 8th in market share within this market. Deposits in the Sioux Falls assessment area represent 58.2% of the bank’s total deposits.

The assessment area demographic data are set forth in Table 10.

<i>Income Categories</i>	<i>Tract Distribution</i>		<i>Families by Tract Income</i>		<i>Families < Poverty Level as % of Families by Tract</i>		<i>Families by Family Income</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	0	0.0	0	0.0	0	0.0	6,508	14.6
Moderate Income	5	15.2	5,415	12.1	484	8.9	8,391	18.8
Middle Income	23	69.7	31,525	70.7	1,531	4.9	12,728	28.5
Upper Income	5	15.2	7,681	17.2	99	1.3	16,994	38.1
Total Assessment Area	33	100.0	44,621	100.0	2,114	4.7	44,621	100.0
<i>Income Categories</i>	<i>Housing Units by Tract</i>	<i>Housing Types by Tract</i>						
		<i>Owner-Occupied</i>			<i>Rental</i>		<i>Vacant</i>	
		<i>#</i>	<i>%</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate Income	11,811	4,377	9.8	37.1	6,826	57.8	608	5.1
Middle Income	47,610	31,906	71.7	67.0	13,892	29.2	1,812	3.8
Upper Income	9,947	8,227	18.5	82.7	1,550	15.6	170	1.7
Total Assessment Area	69,368	44,510	100.0	64.2	22,268	32.1	2,590	3.7

TABLE 10
Sioux Falls Assessment Area Demographic Data

<i>Income Categories</i>	<i>Total Businesses by Tract</i>		<i>Businesses by Tract and Revenue Size</i>					
			<i>≤\$1 Million</i>		<i>> \$1 Million</i>		<i>Revenue Not Reported</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate Income	4	0.3	4	0.4	0	0.0	0	0.0
Middle Income	1,206	96.3	1,044	96.2	129	96.3	33	100.0
Upper Income	42	3.4	37	3.4	5	3.7	0	0.0
Total Assessment Area	1,252	100.0	1,085	100.0	134	100.0	33	100.0
	Percentage of Total Businesses		86.7		10.7		2.6	
<i>Income Categories</i>	<i>Total Farms by Tract</i>		<i>Farms by Tract and Revenue Size</i>					
			<i>≤\$1 Million</i>		<i>Over \$1 Million</i>		<i>Revenue Not Reported</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate Income	0	0.0	0	0.0	0	0.0	0	0.0
Middle Income	287	99.0	286	99.0	1	100.0	0	0.0
Upper Income	3	1.0	3	1.0	0	0.0	0	0.0
Total Assessment Area	290	100.0	289	100.0	1	100.0	0	0.0
	Percentage of Total Farms		99.7		0.3		0.0	

Income levels. The Department of Housing and Urban Development's estimated median family income for the Sioux Falls, SD MSA was \$62,800 for 2006 and \$61,700 for 2007. The 2000 median family income is used to classify census tract income level.

Population. The population of this assessment area is 172,412 according to 2000 U.S. Census data. The assessment area represents 92.2% of the population of the MSA. According to 2000 census data, 4.7% of the families in the assessment area have incomes below the poverty level. Comparatively, 4.8% of the families in Sioux Falls, SD MSA have incomes below the poverty level.

Economy. According to community contacts and bank management, the economy of the Sioux Falls assessment area is stable and diversified. These sources stated that financial services, medical, retail, health services, and manufacturing make up a sizable portion of the industry in Sioux Falls. Local organizations within the assessment area advertise Sioux Falls as an attractive place to start a business. The community contact stated that many start-up companies are technology driven.

Data from the South Dakota Department of Labor show the average monthly unemployment rate from September 2005 through August 2007 in the Sioux Falls, SD MSA is relatively low at 2.8%. The state average unemployment rate was 3.3% for the same period. This same source shows that the three industries that employ the most workers in the Sioux Falls, SD MSA are education/health services, retail trade, and financial services. Bank management and community contacts indicated that the financial institution market in the assessment area is highly competitive.

Housing. Bank management and community contacts indicated that housing prices continue to rise steadily in the Sioux Falls, SD MSA. According to data from the Research Division of the National Association of REALTORS, the average single-family home value for 2005 was \$135,800, for 2006 was \$133,700, and the first two quarters of 2007 was \$142,300. The mortgage loan payment for a home purchased at \$142,300 for 30 years at a 6% interest rate would be approximately \$853. Given the average single-family home value for the past two and half years, it appears that the affordable housing shortage mostly affects low-income borrowers. Borrowers classified as low income would generally qualify for a home valued at less than approximately \$94,000. The figure for moderate-income borrowers is approximately \$151,000. There is an affordable housing shortage in the Sioux Falls, SD MSA.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE SIOUX FALLS, SOUTH DAKOTA, MSA

Overall, the bank's CRA lending performance in the Sioux Falls assessment area is weak. The sample of loans inside the assessment area was not sufficient to conduct a lending analysis. This level of lending reflects the bank's business strategies, which did not focus on South Dakota during the evaluation period. The bank's level of community development activity in the Sioux Falls assessment area is good. The bank actively allocates resources to community development activities, particularly qualified investments. The bank was particularly responsive to affordable housing needs through its community development activity.

LENDING TEST

The Lending Test rating for the Sioux Falls assessment area is based on the bank's net loan-to-deposit ratio, lending inside the assessment areas, and minimal lending activity. As discussed under the Loan-to-Deposit Analysis and Comparison of Credit Extended Inside and Outside the Assessment Area sections of this evaluation, the bank's lending level is reasonable, but lending inside the assessment areas is low. The bank only originated ten residential real estate loans and four small business loans in the Sioux Falls assessment area. This lending is not sufficient for further meaningful analysis. Therefore, it is not possible to draw conclusions about the bank's lending to borrowers of different income levels and to businesses of different sizes or the geographic distribution of loans for the Sioux Falls assessment area. Given the bank's reasonable net loan-to-deposit ratio, low concentration of lending in assessment areas, and minimal lending in the Sioux Falls assessment area, the bank's Lending Test performance is weak.

COMMUNITY DEVELOPMENT TEST

The bank's level of community development activity in the Sioux Falls assessment area is good. The bank's community development activity also reflects good responsiveness to community development needs in the assessment area. The bank's strongest performance under this test is its active involvement in making qualified investments.

Qualified investments. The bank's qualified investments, which included securities and donations, increased since the last evaluation. The bank purchased two new qualified investments totaling \$783,392 in the form of securities. One of the new qualified investments is a mortgage-backed security. This qualified investment is collateralized by five loans in the Sioux Falls assessment area. The total principal balances attributable to the Sioux Falls assessment area loans is \$683,392 (four other loans from the Minneapolis assessment area also secure this mortgage-backed security). The bank's other new qualified investment was to a local community development corporation involved in variety of community development activities.

The bank continues to hold three other mortgage-backed securities totaling \$119,219 that it owned prior to the current evaluation period. Additionally, the bank continues to hold two qualified investments totaling \$150,000 made to the local community development corporation noted above.

Overall, the bank holds qualified investments totaling approximately \$1.1 million in the Sioux Falls assessment area. At the last evaluation, the bank held \$443,979 in qualified investments in this assessment area. The bank's level of qualified investment securities increased 147.8% since the prior evaluation.

The bank has also been active in making qualified investments in the form of donations to organizations with community development purposes. Since the previous evaluation, the bank donated \$139,594 to such organizations in the Sioux Falls assessment area. For the September 6, 2005, evaluation period, the bank donated \$38,496 to such organizations in the Sioux Falls assessment area.

Community development services. Three bank employees were involved in activities that benefited an affordable housing organization, an organization that provides services targeted to low- and moderate-income individuals and families, and two organizations that help stimulate economic development within the assessment area. This level of performance is similar to the bank's activity at its previous evaluation.

Community development loans. The bank extended one \$62,500 community development loan in the assessment area since the previous evaluation. The loan was for affordable housing. This level of activity shows a slight decrease compared with the bank's activity at the previous evaluation.

Overall, the bank has shown a good responsiveness to community development needs in the Sioux Falls assessment area and has increased its community development activities since the last evaluation. As a limited-purpose bank, the bank aimed to meet the needs of the Sioux Falls assessment area through community development activities. Given its strategies during the current evaluation period, the bank continued to fulfill these needs, especially by focusing on making qualified investments. The mix of the bank's community development activities is appropriate given the bank's characteristics during the evaluation period. The bank also reasonably focused its community development activity on affordable housing, an identified need in the assessment area. For these reasons, the bank's community development activity is good in the Sioux Falls assessment area.

SOUTH DAKOTA NONMETROPOLITAN AREA – LIMITED REVIEW

A limited-scope review of the Brookings/Toronto assessment area was conducted for the evaluation. The bank's performance in the Brookings/Toronto assessment area was evaluated based only on the quantitative aspects under the Lending Test and Community Development Test.

The bank only originated 11 loans within Brookings/Toronto assessment area. Thus, analysis of the bank's lending within this assessment area would not be meaningful. Furthermore, the bank had minimal community development activities in the Brookings/Toronto assessment area during the evaluation period.

DESCRIPTION OF THE BROOKINGS/TORONTO ASSESSMENT AREA

The Brookings/Toronto assessment area consists of eight east-central South Dakota counties, which are Brookings, Codington, Deuel, Grant, Hamlin, Kingsbury, Lake, and Moody. During the evaluation period, the bank had two branch offices, one in Brookings and one in Toronto. In December 2006, the bank sold its Brookings office. In January 2007, the bank sold its Toronto office. These offices originated a small volume of loans.

The assessment area demographic data are set forth in Table 11.

<i>Income Categories</i>	<i>Tract Distribution</i>		<i>Families by Tract Income</i>		<i>Families < Poverty Level as % of Families by Tract</i>		<i>Families by Family Income</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	0	0.0	0	0.0	0	0.0	3,295	13.6
Moderate Income	0	0.0	0	0.0	0	0.0	3,906	16.1
Middle Income	18	72.0	14,931	61.4	956	6.4	6,126	25.2
Upper Income	7	28.0	9,382	38.6	570	6.1	10,986	45.2
Total Assessment Area	25	100.0	24,313	100.0	1,526	6.3	24,313	100.0
<i>Income Categories</i>	<i>Housing Units by Tract</i>	<i>Housing Types by Tract</i>						
		<i>Owner-Occupied</i>			<i>Rental</i>		<i>Vacant</i>	
		<i>#</i>	<i>%</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate Income	0	0	0.0	0.0	0	0.0	0	0.0
Middle Income	24,737	16,221	62.9	65.6	5,752	23.3	2,764	11.2
Upper Income	17,168	9,556	37.1	55.7	5,804	33.8	1,808	10.5
Total Assessment Area	41,905	25,777	100.0	61.5	11,556	27.6	4,572	10.9

TABLE 11
Brookings/Toronto Assessment Area Demographic Data

<i>Income Categories</i>	<i>Total Businesses by Tract</i>		<i>Businesses by Tract and Revenue Size</i>					
	#	%	<i>≤\$1 Million</i>		<i>> \$1 Million</i>		<i>Revenue Not Reported</i>	
			#	%	#	%	#	%
Low Income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate Income	0	0.0	0	0.0	0	0.0	0	0.0
Middle Income	2,532	63.2	2,207	62.6	240	63.7	85	78.0
Upper Income	1,477	36.8	1,316	37.4	137	36.3	24	22.0
Total Assessment Area	4,009	100.0	3,523	100.0	377	100.0	109	100.0
Percentage of Total Businesses			87.9		9.4			2.7
<i>Income Categories</i>	<i>Total Farms by Tract</i>		<i>Farms by Tract and Revenue Size</i>					
	#	%	<i>≤\$1 Million</i>		<i>Over \$1 Million</i>		<i>Revenue Not Reported</i>	
			#	%	#	%	#	%
Low income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate income	0	0.0	0	0.0	0	0.0	0	0.0
Middle income	1,328	87.7	1,315	87.7	11	78.6	2	100.0
Upper income	187	12.3	184	12.3	3	21.4	0	0.0
Total Assessment Area	1,515	100.0	1,499	100.0	14	100.0	2	100.0
Percentage of Total Farms			98.9		0.9			0.1

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN BROOKINGS/TORONTO

The bank's performance in the Brookings/Toronto assessment area is generally consistent with the bank's performance in the Sioux Falls assessment area.

As previously stated, the bank originated only 11 loans within the assessment area. Therefore, further analysis of the bank's lending within this assessment area is not meaningful. However, this activity is consistent with past performance in this assessment area. The institution's lending performance in the area is consistent with the bank's lending performance in the state of South Dakota.

The bank engaged in very limited community development activities in the Brookings/Toronto assessment area during the evaluation period providing \$425 in qualified investments in the form of donations to an organization that provides services to low- and moderate-income children. The bank's previous evaluation also shows minimal community development activity in the Brookings/Toronto assessment area. The institution's community development performance in the area is lower than the bank's community development performance in the state of South Dakota.

ARIZONA

CRA RATING FOR ARIZONA: Needs to Improve

The Lending Test is rated: Needs to Improve.

The Community Development Test is rated: Satisfactory.

SCOPE OF EXAMINATION

The scope of the evaluation for Arizona is consistent with the overall scope described in the Scope of Examination section of the evaluation. The bank has one assessment area in the state; consequently, the bank's rating for the state of Arizona is based solely on the conclusions about the performance in the Chandler assessment area.

The bank's performance in the Chandler assessment area was based on quantitative and qualitative aspects under the performance criterion for the Lending Test: net loan-to-deposit ratio, lending inside the assessment area, geographic distribution of lending, and lending to borrowers of different income levels and to businesses of different sizes. The scope of review in the Arizona assessment area also included the quantitative and qualitative factors under the Community Development Test, which focus on community development loans, qualified investments, and community development services.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN ARIZONA

The Chandler assessment area consists of part of Maricopa County within the Phoenix-Mesa-Scottsdale, AZ MSA. The bank has one branch in Chandler, located at 1951 Alma School Road, which is not in a highly visible area. During the evaluation period, the bank offered limited credit products at this location to accommodate existing customers or former bank employees. Prior to the evaluation period, the bank had credit card operations in this location.

According to the June 30, 2007, Federal Deposit Insurance Corporation Deposit Market Share Report, the bank had total deposits of approximately \$790,000, representing less than 0.01% of the total deposits in Maricopa County. The bank ranks 66th in market share within this market. Deposits in the Chandler assessment area represent less than 1% of the bank's total deposits.

The assessment area demographic data are set forth in Table 12.

**TABLE 12
Chandler Assessment Area Demographic Data**

<i>Income Categories</i>	<i>Tract Distribution</i>		<i>Families by Tract Income</i>		<i>Families < Poverty Level as % of Families by Tract</i>		<i>Families by Family Income</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	0	0.0	0	0.0	0	0.0	5,348	11.4
Moderate Income	2	4.9	3,462	7.4	552	15.9	6,490	13.9
Middle Income	16	39.0	17,543	37.5	1,029	5.9	10,359	22.2
Upper Income	23	56.1	25,746	55.1	574	2.2	24,554	52.5
Total Assessment Area	41	100.0	46,751	100.0	2,155	4.6	46,751	100.0
<i>Income Categories</i>	<i>Housing Units by Tract</i>	<i>Housing Types by Tract</i>						
		<i>Owner-Occupied</i>			<i>Rental</i>		<i>Vacant</i>	
		<i>#</i>	<i>%</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate Income	5,054	2,584	5.5	51.1	2,194	43.4	276	5.5
Middle Income	27,023	17,411	37.0	64.4	7,562	28.0	2,050	7.6
Upper Income	36,046	27,093	57.5	75.2	6,901	19.1	2,052	5.7
Total Assessment Area	68,123	47,088	100.0	69.1	16,657	24.5	4,378	6.4
<i>Income Categories</i>	<i>Total Businesses by Tract</i>		<i>Businesses by Tract and Revenue Size</i>					
			<i>≤\$1 Million</i>		<i>> \$1 Million</i>		<i>Revenue Not Reported</i>	
			<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate Income	240	4.5	218	4.6	18	3.8	4	4.3
Middle Income	2,386	45.1	2,141	45.3	205	43.3	40	42.6
Upper Income	2,669	50.4	2,369	50.1	250	52.9	50	53.2
Total Assessment Area	5,295	100.0	4,728	100.0	473	100.0	94	100.0
Percentage of Total Businesses				89.3		8.9		1.8
<i>Income Categories</i>	<i>Total Farms by Tract</i>		<i>Farms by Tract and Revenue Size</i>					
			<i>≤\$1 Million</i>		<i>> \$1 Million</i>		<i>Revenue Not Reported</i>	
			<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate Income	2	3.6	2	3.8	0	0.0	0	0.0
Middle Income	38	69.1	36	69.2	2	66.7	0	0.0
Upper Income	15	27.3	14	26.9	1	33.3	0	0.0
Total Assessment Area	55	100.0	52	100.0	3	100.0	0	0.0
Percentage of Total Farms				94.5		5.5		0.0

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ARIZONA

The bank's lending performance in Arizona is weak. The sample of loans inside the Chandler assessment area was not sufficient to conduct a lending analysis. This level of lending reflects the bank's business strategies, which did not focus on Arizona during the evaluation period. The bank's community development activity in Arizona is adequate. The bank provided one community development service and made qualified investments in the form of in-kind donations in the Chandler assessment area during the evaluation period.

LENDING TEST

The Lending Test rating for Arizona is based on the bank's net loan-to-deposit ratio, lending inside the assessment areas, and minimal lending activity in Arizona. As discussed under the Loan-to-Deposit Analysis and Comparison of Credit Extended Inside and Outside the Assessment Area sections of this evaluation, the bank's lending level is reasonable, but lending inside the assessment areas is low. The bank originated six residential real estate loans and no small business loans in the Chandler assessment area. This lending is not sufficient for meaningful analysis. Therefore, it is not possible to draw conclusions about the bank's lending to borrowers of different income levels and to businesses of different sizes or the geographic distribution of loans for the Chandler assessment area. Given the bank's reasonable net loan-to-deposit ratio, low concentration of lending in assessment areas, and minimal lending in Arizona, the bank's Lending Test rating is needs to improve for the state of Arizona.

COMMUNITY DEVELOPMENT TEST

The bank's community development activity in the Chandler assessment area is adequate. One bank employee provided support to an organization that provides services targeted to low- and moderate-income individuals and families. Additionally, the bank made \$7,750 in qualified investments in the form of in-kind donations of computers and calculators to this organization. This is a 120.7% increase since the previous evaluation. At the previous evaluation, the bank's performance in this assessment area was reasonable when it had qualified investments in the form of donations totaling \$3,512, a reasonable level of community development services, and no community development loans. Given characteristics of the bank's operations from the Chandler branch, the bank's Community Development Test rating for Arizona is satisfactory.

SCOPE OF EXAMINATION TABLE

List of Assessment Areas and Type of Examination		
<i>Assessment Area</i>	<i>Type of Examination</i>	<i>Branches Visited</i>
<u>South Dakota</u> Sioux Falls Assessment Area	Full Scope	Sioux Falls
<u>South Dakota</u> Brookings/Toronto Assessment Area	Limited Scope	None
<u>Minnesota</u> Minneapolis Assessment Area	Full Scope	Minneapolis
<u>Arizona</u> Chandler Assessment Area	Full Scope	None

Appendix A

Glossary of Common CRA Terms

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

Census tract: A small subdivision of metropolitan and other densely populated counties. Boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending on population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 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.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and Federal Deposit Insurance Corporation (the Agencies) have adopted the following additional language as part of the revitalize or stabilize definition of community development.

Activities that revitalize or stabilize:

- (i) Low- or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Agencies based on:
 - a. Rates of poverty, unemployment, and population loss or
 - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help meet essential community needs, including the needs of low- and moderate-income individuals.

Consumer loan: A loan to one or more individuals for household, family, or other personal expenditures. It does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include nonrelatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

Full-scope review: Performance under the Lending and Community Development Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., responsiveness).

Geography: A census tract 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 data such as the race, gender, and income of applicants; the amount of loan requested; and the disposition of the application (e.g., approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes, and refinancings of home improvement and home purchase loans.

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

Limited-scope review: Performance under the Lending and Community Development Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments).

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

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

Metropolitan statistical area (MSA): An area, defined by the Office of Management and Budget, based on the concept of a core area with at least one urbanized area that has a population of at least 50,000. The MSA comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

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

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

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

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

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

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

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

Small loan to business: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or classified as commercial and industrial loans.

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

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

(For additional information, please see the Definitions sections of Regulation BB at 12 C.F.R. 228.12.)