

PUBLIC DISCLOSURE

March 27, 2000
Date of Evaluation

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

M&I Community State Bank
Name of Depository Institution

390859
Identification Number of Institution

Eau Claire, Wisconsin
Address of Institution

Federal Reserve Bank of Minneapolis
90 Hennepin Avenue
P.O. Box 291
Minneapolis, MN 55490-0291

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

The purpose of the Community Reinvestment Act of 1977 (“CRA”), 12 U.S.C. 2901, as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. CRA requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision to assess the institution’s record of meeting the credit needs of its communities, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution’s record of meeting the credit needs of its communities. The agency considers the institution’s record of performance when deciding whether to approve any applications submitted by the institution.

This document is an evaluation of the CRA performance of M&I Community State Bank, Eau Claire, Wisconsin, prepared by the Federal Reserve Bank of Minneapolis, the institution’s supervisory agency, as of March 27, 2000. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

Basis for the Rating

The assessment of the institution’s record takes into account its financial capacity and size; legal impediments; and local economic conditions and demographics, including the competitive environment in which the institution operates. Assessing the institution’s CRA performance is a process that does not rely on absolute standards. Institutions are neither required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its assessment areas. In that light, this evaluation is based on a review of the institution’s loans, investments, and services, as detailed in this evaluation.

INSTITUTION’S CRA RATING: This institution is rated “Satisfactory.”

Several factors support the bank’s satisfactory CRA rating. The bank’s performance under the Lending Test is rated high satisfactory. The bank actively originates loans. The geographic distribution of the bank’s loans shows excellent dispersion throughout the assessment areas and reasonable penetration of the moderate-income geographies. In addition, the bank is an active small business and residential real estate lender. The bank uses innovative and flexible lending practices, particularly with in-house and government-sponsored residential real estate loan programs designed for low- and moderate-income individuals. The bank has a good distribution of loans among borrowers of different income levels and businesses of different sizes. The bank extends a substantial majority of its loans in the assessment areas.

The bank’s performance under the Service Test is rated high satisfactory. The bank continues to offer a wide range of convenient and effective retail banking services that are readily accessible to all assessment area residents. In addition, the bank’s office and automated teller machine (“ATM”) locations are accessible to all residents of the assessment areas. Furthermore, the bank is sufficiently involved in community development services.

Based on the bank’s community development investments, grants, and contributions, the bank’s performance under the Investment Test is rated needs to improve. As noted at the previous evaluation, the bank’s investment portfolio has no qualified investments. Although the bank does not have any qualified investments, it continues to investigate opportunities to locate suitable qualified investments. Bank management indicated that there have been few opportunities to purchase qualified investments;

nonetheless, the bank's level of activity is less than adequate given the bank's capacity to invest and opportunities in broader areas that include the assessment areas.

The following table indicates the performance level of M&I Community State Bank, Eau Claire, Wisconsin, with respect to the Lending, Investment, and Service Tests.

PERFORMANCE LEVELS	M&I COMMUNITY STATE BANK EAU CLAIRE, WISCONSIN PERFORMANCE TESTS		
	LENDING TEST*	INVESTMENT TEST	SERVICE TEST
Outstanding			
High Satisfactory	X		X
Low Satisfactory			
Needs to Improve		X	
Substantial Noncompliance			
*The Lending Test is weighted more heavily than the Investment and Service Tests when deriving the overall CRA rating.			

DESCRIPTION OF INSTITUTION

The bank is able to meet the credit needs of its assessment areas effectively. The bank received a satisfactory rating at the conclusion of its last CRA evaluation, which was conducted as of May 11, 1998.

For purposes of this evaluation, the bank is subject to the large bank CRA evaluation procedures because it has had total assets of \$250 million or more at the last two consecutive year-ends. Also, because of its status as a large bank, the bank reports CRA data for its small business, small farm, and community development loans.¹ Given its size and offices in metropolitan statistical areas (“MSA”), the bank must report data about its residential real estate loan activity pursuant to the Home Mortgage Disclosure Act (“HMDA”).²

Offices. The bank operates 10 full-service offices, 1 paying-and-receiving station, and 12 ATMs. Seven of the 12 ATMs are deposit-taking machines. The bank’s offices are located throughout five west-central Wisconsin counties. Based on the office locations and the bank’s lending territories, it has two metropolitan assessment areas and one nonmetropolitan assessment area for CRA purposes. The two metropolitan assessment areas consist of the Eau Claire assessment area and Prescott/River Falls/Ellsworth (“PRFE”) assessment area. The Eau Claire assessment area includes Eau Claire and Chippewa counties, which comprise the Eau Claire, Wisconsin, Metropolitan Statistical Area (“Eau Claire MSA”). In addition, this assessment area includes one block numbering area (“BNA”) in Clark County. The PRFE assessment area includes the southeastern section of St. Croix County as well as Pierce County. These counties are in the Minneapolis-St. Paul, Minnesota, Metropolitan Statistical Area (“Minneapolis-St. Paul MSA”). The Menomonie assessment area is the bank’s nonmetropolitan assessment area. It is Dunn County and is located between the two metropolitan assessment areas. This CRA evaluation is based on a review of all three assessment areas.

The bank’s main office is at 301 Water Street, Eau Claire, Wisconsin, near the campus of the University of Wisconsin-Eau Claire. The bank’s other offices are in the following Wisconsin communities: Bloomer, Chippewa Falls, Eau Claire, Ellsworth, Fall Creek, Menomonie, Prescott, River Falls, and Thorp. The paying-and-receiving station is in Eau Claire across the street from the bank’s main office. The following table illustrates the distribution of the bank’s offices by geographic location.

GEOGRAPHIC LOCATION AND INCOME CLASSIFICATION					
<i>Office</i>	<i>Geography*</i>	<i>Low Income</i>	<i>Moderate Income</i>	<i>Middle Income</i>	<i>Upper Income</i>
Main Office 301 Water Street Eau Claire, Wisconsin	MSA 2290 County 35 CT 12.00			X	
1311 14th Avenue Bloomer, Wisconsin	MSA 2290 County 17 CT 112.00			X	

¹All independent banks and thrifts with assets of \$250 million or more and banks and thrifts affiliated with a holding company with banking and thrift assets of \$1 billion or more must report CRA data. For purposes of this evaluation, all such lenders who reported activity in the overall assessment area are referred to as aggregate lenders. As of the evaluation date, aggregate data for 1999 were not available; thus, the evaluation only references 1998 data for the aggregate lenders.

²All lenders required to report HMDA data are referred to as aggregate reporters for purposes of this evaluation.

GEOGRAPHIC LOCATION AND INCOME CLASSIFICATION					
<i>Office</i>	<i>Geography*</i>	<i>Low Income</i>	<i>Moderate Income</i>	<i>Middle Income</i>	<i>Upper Income</i>
411 North Bridge Street Chippewa Falls, Wisconsin	MSA 2290 County 17 CT 103.00			X	
4106 Highway 93 Eau Claire, Wisconsin	MSA 2290 County 35 CT 8.00				X
388 West Main Street Ellsworth, Wisconsin	MSA 5120 County 93 BNA 9607		X		
103 East Lincoln Avenue Fall Creek, Wisconsin	MSA 2290 County 35 CT 2.00			X	
500 Main Street Menomonie, Wisconsin	County 33 BNA 9708			X	
1049 North Campbell Street Prescott, Wisconsin	MSA 5120 County 93 BNA 9605			X	
103 South Second Street River Falls, Wisconsin	MSA 5120 County 93 BNA 9603			X	
300 North Washington Thorp, Wisconsin	County 19 BNA 9503			X	

*A geography is a census tract ("CT") or BNA as delineated by the U.S. Bureau of the Census.

As the table illustrates, the bank has one office in a moderate-income geography, one office in an upper-income geography, and eight offices in middle-income geographies. The paying-and-receiving station is also in a middle-income geography. Of the 12 ATMs, 6 are in various parts of Eau Claire; 3 of the 6 Eau Claire ATMs are at a large regional shopping mall. The shopping mall is in an upper-income geography. Of the three remaining ATMs in Eau Claire, two are in an upper-income geography and one is in a middle-income geography. The bank has three ATMs in Menomonie and one each in Chippewa Falls, Prescott, and River Falls.

The bank changed its overall assessment area since the previous evaluation. The bank deleted Pepin County and northern Trempealeau County from its assessment area and reduced the size of that part of Clark County in the assessment area. In addition, the bank sold the full-service office in Boyd, Wisconsin, in May 1999. This branch was in a middle-income geography. The bank's Highway 93 and Thorp branches have been able to serve the bank's Boyd customers with little inconvenience. The bank has not opened any offices since the last evaluation.

The bank is a subsidiary of Marshall & Ilsley Corporation, Milwaukee, Wisconsin ("M&I Corporation"). M&I Corporation had total consolidated assets of \$24.4 billion as of December 31, 1999. A large number of the bank's residential real estate loans are originated by or sold to the bank's affiliate M&I Mortgage Corporation.

Loan portfolio. The bank's size does not restrict its ability to meet the credit needs of residents, businesses, and farms within its assessment areas. According to the December 31, 1999, Report of Condition ("ROC"), the bank had total assets of approximately \$542.7 million. Loan growth has been

steady since the previous evaluation. The bank's lending activity is primarily in commercial and residential real estate loans. Approximately 45% of the bank's loan portfolio is in commercial loans, 35% is in residential real estate loans, 9% is in consumer loans, 11% is in agricultural loans, and less than 1% is in other loans. The composition of the bank's loan portfolio has changed since the last evaluation: real estate loans have increased and consumer loans have decreased. The composition of the loan portfolio reflects the level of demand for specific types of credit by residents, businesses, and farms in the bank's three assessment areas.

For purposes of this evaluation, examiners reviewed eight quarters of ROC data from March 31, 1998, through December 31, 1999. According to ROC data, commercial loans increased by approximately 16.7% to \$96.1 million during the period. The increase in agricultural lending was less than \$1 million or approximately 1.4%. Residential real estate lending increased by 50.0% to \$124.7 million since the previous evaluation.

The bank's total deposits, according to December 31, 1999, ROC data, totaled \$353.8 million. Total deposits have increased from \$348.6 million as of March 31, 1998. There are several reasons for the slow deposit growth rate according to bank management. Bank management stated there has been a shift away from such vehicles as certificates of deposit and transaction accounts. The number of alternative deposit and investment products offered in the market has affected the bank's conventional deposit funds. Finally, management indicated that the banking environment is very competitive throughout the assessment areas.

Credit products. The bank offers a variety of loan products to meet the credit needs of residents, businesses, and farms within its assessment areas. It extends conventional consumer, residential real estate, commercial, and agricultural loans for a variety of purposes. The bank's residential real estate loan products include adjustable rate mortgages, construction loans, and fixed-rate loans with 15- to 30-year maturities and balloon payment loans with one- to seven-year maturities. The bank's open-end consumer products include personal reserve, credit card, and home equity lines of credit. The bank also extends loans to municipalities and issues letters of credit for local businesses.

In addition to its conventional loan offerings, the bank offers a wide assortment of government-guaranteed- and insured-products, including government-guaranteed student loans, as well as a special in-house loan product. It offers Small Business Administration ("SBA"), Farm Services Agency ("FSA"), Wisconsin Housing and Economic Development Authority ("WHEDA"), and Wisconsin Business Development Finance Corporation commercial loans. The bank also offers commercial loans pursuant to the Petroleum Environmental Cleanup Fund Act's ("PECFA") program for environmental cleanup projects. The bank provides residential real estate loans guaranteed or insured by the following government agencies: Federal Housing Administration, Department of Veterans Affairs ("VA"), State of Wisconsin Department of Veterans Affairs ("State VA"), and WHEDA. Finally, the bank's Neighborhood Home Loan Program ("NHLP") continues to be very successful. This in-house loan program is designed for low- to moderate-income borrowers. It has a low down payment requirement, and the borrower does not need to obtain mortgage insurance.

The bank continues to participate in economic development loan pools throughout its three assessment areas, including the Eau Claire County Industrial Development Corporation loan pool, the Pierce County Economic Development Corporation loan pool, and the Greater Menomonie Area Development Corporation loan pool.

DESCRIPTION OF M&I COMMUNITY STATE BANK'S OVERALL ASSESSMENT AREA

The bank's overall assessment area consists of three separate areas covering the cities and surrounding countryside of Eau Claire, Menomonie, and Ellsworth, Wisconsin. Because the bank has offices in MSAs, the regulation requires separate analysis of the bank's performance in each MSA. The bank's overall assessment area consists of 35 CTs and 17 BNAs. According to the 1990 U.S. Census data, the population of the overall assessment area is 227,099. This evaluation is based on the review of the bank's CRA performance for lending, investment, and service activities in three assessment areas.

CRA divides income levels into four categories: low, moderate, middle, and upper. The categorization of a borrower or geography's income level is determined relative to an MSA median family income for an MSA or the statewide nonmetropolitan area median family income for a nonmetropolitan area. Low-income individuals have incomes of less than 50% of the MSA or statewide nonmetropolitan area median family income, while moderate-income individuals have incomes of at least 50% but less than 80% of these incomes. The regulation defines middle-income individuals as people with incomes of at least 80% but less than 120% of the MSA or statewide nonmetropolitan area median family income. Individuals with incomes of 120% or more of the MSA or statewide nonmetropolitan area median family income are considered upper income. Geographies are classified by comparing the median family income in the geography to the appropriate MSA or statewide nonmetropolitan area median family income.

According to the 1990 census data, the Eau Claire MSA median family income is \$31,613, the Minneapolis-St. Paul MSA median family income is \$43,063, and the Wisconsin nonmetropolitan area median family income is \$30,290. These figures are used to determine the income category of CTs or BNAs. Borrower income levels are determined using updated data prepared by the U.S. Department of Housing and Urban Development. For loans originated in 1998 and 1999, the Eau Claire MSA median family income is \$42,100 and \$44,300, respectively. For loans originated in 1998 and 1999, the Minneapolis-St. Paul MSA family income is \$60,800 and \$63,600, respectively. The 1998 and 1999 Wisconsin nonmetropolitan area median family incomes are \$41,800 and \$44,400, respectively.

In the overall assessment area, there are 1 low-income, 9 moderate-income, 36 middle-income, and 6 upper-income geographies. The low-income CT represents 2% of the total geographies in the assessment area. The moderate-income geographies represent 17% of the total geographies in the assessment area. The total population in the low-income CT is 500 and represents less than 1% of the total population of the overall assessment area. The total population of the moderate-income geographies is approximately 16% of the overall assessment area population. Middle-income geographies are the most prevalent in the overall assessment area; 69% of the geographies are in this classification and 74% of the overall assessment area's population are in the middle-income geographies. The assessment area's remaining 6 geographies, approximately 12% of the total number of geographies, are classified as upper-income areas; approximately 11% of the assessment area's population reside in the upper-income geographies. Demographic data for the overall assessment area is summarized in the following table.

DISTRIBUTION BY GEOGRAPHY INCOME LEVEL					
<i>Characteristic</i>	<i>Low</i>	<i>Moderate</i>	<i>Middle</i>	<i>Upper</i>	<i>Total</i>
Number of Geographies	1	9	36	6	52
Percentage of Geographies	1.9%	17.3%	69.2%	11.6%	100.0%
Population	500	35,440	166,994	24,215	227,099
Percentage of Population	0.2%	15.6%	73.5%	10.7%	100.0%
Number of Families	0	8,998	42,735	5,375	57,098
Percentage of Families	0.0%	15.8%	74.8%	9.4%	100.0%
Number of Households	0	12,936	60,106	8,255	81,297
Percentage of Households	0.0%	15.9%	73.9%	10.2%	100.0%
Number of Owner-Occupied Housing Units	0	8,860	41,998	5,047	55,905
Percentage of Owner-Occupied Housing Units	0.0%	15.9%	75.1%	9.0%	100.0%
Median Family Income	\$0	\$26,821	\$32,424	\$40,783	\$32,132

As noted, the bank's assessment area includes 57,098 families and 81,297 households. Approximately 13% of the households and 8% of the families have incomes below the poverty level. The distribution of households and families among the various income categories is shown in the following table.

DISTRIBUTION OF FAMILIES AND HOUSEHOLDS BY INCOME LEVEL					
<i>Characteristic</i>	<i>Low</i>	<i>Moderate</i>	<i>Middle</i>	<i>Upper</i>	<i>Total</i>
Number of Families	11,250	11,215	14,793	19,840	57,098
Percentage of Families	19.7%	19.7%	25.9%	34.7%	100.0%
Number of Households	19,894	13,885	17,068	30,450	81,297
Percentage of Households	24.5%	17.1%	21.0%	37.5%	100.0%

According to the 1990 census data, there are 86,290 housing units in the overall assessment area; 64.8% are owner occupied. There are no owner-occupied housing units in the low-income CT and 8,860 owner-occupied units in the moderate-income geographies. The percentage of owner-occupied units in the moderate-income geographies mirrors the distribution of population and families in these areas at approximately 15%. Two of the moderate-income CTs are in Eau Claire's central city; the remaining moderate-income geographies are in the more rural areas of the assessment area. Housing affordability varies in the overall assessment area. According to the 1990 census data, the affordability ratio is .50. The affordability ratio is calculated by dividing the median household income by the median housing value. The closer the affordability ratio is to 1, the more affordable housing is in an area. As of 1990, the median household income in the assessment area was \$26,548, while the median housing value was \$52,581. The overall assessment area's median rent in 1990 was \$351. Community contacts in both the Eau Claire and Menomonie areas indicated that the current economic conditions are strong. The very active real estate market in the PRFE assessment area has pushed up the price of housing and made affordable housing more difficult to find in that region of the overall assessment area.

Contacts. Examiners contacted individuals familiar with economic development, small businesses, and housing as part of the bank's CRA evaluation. These individuals are familiar with the demographic and economic characteristics and credit needs of the assessment area. Information from these contacts as well as from bank management was used to evaluate the bank's CRA performance.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

The bank's CRA performance as evaluated based on the Lending, Investment, and Service Tests is rated satisfactory. This evaluation is based on the bank's CRA performance in the Eau Claire assessment area, the PRFE assessment area, and the Menomonie assessment area. The analysis on the following pages is based on a sample of 1,587 residential real estate, 846 small business, and 920 small farm loans. The sample period for residential real estate loans is April 1, 1998, through December 31, 1999. The sample period for small business and small farm loans is 1998 and 1999.

OVERALL INSTITUTION ANALYSIS

Lending Test

The bank's performance under the Lending Test is rated high satisfactory. The evaluation is based on a review of lending activity reported in all the bank's assessment areas. The Eau Claire assessment area represents 67% of the bank's loans. Therefore, examiners gave more weight to the loan data from offices in the Eau Claire assessment area when making conclusions about the bank's overall lending performance. The evaluation of the bank's lending performance under CRA focused on several criteria: lending activity; loans in the assessment area; geographic distribution of loans; loans to borrowers of different incomes as well as to businesses and farms of different sizes; efforts to meet the credit needs of highly economically disadvantaged areas, low-income residents and small businesses; community development loans; and innovative and flexible loan practices. For purposes of evaluating the bank's lending, the most weight was given to the bank's performance in the two distribution categories: geographic distribution of loans and loans to borrowers of different incomes and to businesses and farms of different sizes. Overall, the bank has a good record of meeting community credit needs.

Lending activity. The bank's lending performance is strong. In 1998, the bank reported 436 small business and 484 small farm loans. In 1999, the bank reported 410 small business and 436 small farm loans. In addition, the bank originated 1,122 residential real estate loans in the last three quarters of 1998 and 465 residential real estate loans in 1999.

The bank's lending has increased. Since the previous evaluation, the bank's commercial lending has increased approximately 17% while the agricultural lending increased by less than 2%. In addition to the \$13.8 million increase in commercial loans, the bank's residential real estate loan portfolio increased by approximately \$41.4 million, or 50%. The bank's HMDA data indicate that the bank is an active lender in the overall assessment area. The bank originated 1,376 HMDA loans in 1998. During 1999, the bank originated 465 HMDA loans. The decrease in the bank's HMDA loans between 1998 and 1999 relates to higher interest rates, as described subsequently. There are a large number of financial institutions in Eau Claire and competition among the institutions is strong.

Currently, there are 17 financial institutions that have headquarters or branch offices in Eau Claire. In the PRFE and Menomonie assessment areas, the banking environment consists mostly of branch operations of large regional banks. Although M&I Community State Bank is one of several active players in a competitive market, its commercial and agricultural lending activity shows it to be a strong lender in the overall assessment area. Among the institutions required to report lending data under CRA, the bank extended 22% of the small business loans and 50% of the small farm loans in the overall assessment area.

Since the previous evaluation, the bank's quarterly average net loan-to-deposit ratio is 92%. The quarterly net loan-to-deposit ratio fluctuated between 85% and 103%. The loan demand in the bank's assessment area is strong. The bank's general lending performance compares favorably with the bank's peer group. According to data from the December 31, 1999, Uniform Bank Performance Report, the

bank's net loan-to-deposit-ratio of 99.8% is above its national peer group's average of 81.4%. The bank's net loan-to-deposit ratio demonstrates the bank's capacity and willingness to make loans to individuals, businesses, and farms in its overall assessment area.

The economic climate in the assessment area is strong. As discussed in further detail in the individual assessment area sections, the overall assessment area's population continues to grow, and business growth appears strong. In the context of the bank's resources and business strategy, the bank has aggressively sought new business and real estate lending opportunities.

The bank's level of lending continues to reflect its good responsiveness to addressing credit needs of residents, businesses, and farms in its overall assessment area. Community contacts identified the bank as actively providing credit within the bank's assessment area. These contacts did not identify any unmet credit needs in the assessment area. The bank's lending data provides evidence of the bank's strong responsiveness to assessment area credit needs. Consequently, the bank's overall lending activity is considered highly satisfactory.

Assessment area concentrations. The bank's lending activity within the overall assessment area is highly satisfactory. The bank originated a high percentage of its loans to residents, businesses, and farms within the assessment area. The two tables below show the breakdown for 1998 and 1999 of the loans and the percentages of loans within the overall assessment area for each loan category by total number and dollar amount.

CRA LOAN SAMPLE		
<i>Loan Type</i>	<i>1998</i>	<i>1999</i>
Small Business	436	410
Small Farm	484	436
Residential Real Estate	1,122	465

PERCENTAGE OF LOANS IN THE OVERALL ASSESSMENT AREA				
Loan Type	<i>1998</i>		<i>1999</i>	
	Total Number of Loans	Total Amount of Loans	Total Number of Loans	Total Amount of Loans
Small Business	90%	90%	90%	92%
Small Farm	85%	85%	86%	88%
Residential Real Estate	85%	85%	82%	79%

The bank's commercial loans comprise the largest percentage of the loan portfolio. Both in 1998 and 1999, the bank originated 90% of its small business loans to businesses in its overall assessment area. Residential real estate loans also represent a major loan category for the bank, and the data show the bank's residential real estate loans were concentrated within the assessment area.

The 1998 and 1999 data show that the bank's small farm loan originations are also concentrated in the overall assessment area. Agricultural loans represent only 11% of the bank's loan portfolio and less than 2% of the loan growth since the previous evaluation. Nonetheless, bank management indicated that agricultural-related loans continue to have a great impact on the economy of the assessment area.

The bank's assessment area lending activity is highly concentrated in the overall assessment area and evidences strong support for serving the communities' credit needs. In general, the bank's lending concentration in its overall assessment area is very good.

Geographic distribution of loans. Overall, the geographic distribution of loans in the overall assessment areas is reasonable. As discussed in detail for the bank's metropolitan and nonmetropolitan assessment areas, the dispersion of the bank's loans in the assessment areas is excellent, and the distribution reflects adequate penetration of geographies of various income levels. As reflected in the individual assessment area sections of this evaluation, the bank extended loans in each CT and BNA in the overall assessment area.

The CTs and BNAs that comprise the bank's overall assessment area are low-, moderate-, middle-, or upper-income areas. The one low-income CT does not have any households or families. A state institution for developmentally disabled individuals and some industrial entities are in this CT. The following tables show the geographic distribution of the bank's loans for 1998 and 1999.

DISTRIBUTION OF LOANS IN THE OVERALL ASSESSMENT AREA BY CT AND BNA INCOME LEVEL*				
<i>1998 Loan Type</i>	<i>Low Income</i>	<i>Moderate Income</i>	<i>Middle Income</i>	<i>Upper Income</i>
Small Business				
Total Number of Loans	0%	13%	76%	11%
Total Amount of Loans	0%	16%	74%	10%
Small Farm				
Total Number of Loans	0%	20%	66%	14%
Total Amount of Loans	0%	18%	71%	11%
Residential Real Estate				
Total Number of Loans	0%	11%	78%	11%
Total Amount of Loans	0%	10%	78%	12%
*Income level is based on the 1990 median family income of \$31,613 for the Eau Claire MSA, \$43,063 for the Minneapolis-St. Paul MSA, and \$30,290 for the nonmetropolitan areas of Wisconsin.				

DISTRIBUTION OF LOANS IN THE OVERALL ASSESSMENT AREA BY CT AND BNA INCOME LEVEL*				
<i>1999 Loan Type</i>	<i>Low Income</i>	<i>Moderate Income</i>	<i>Middle Income</i>	<i>Upper Income</i>
Small Business				
Total Number of Loans	<1%	17%	72%	11%
Total Amount of Loans	<1%	19%	68%	13%
Small Farm				
Total Number of Loans	0%	23%	64%	13%
Total Amount of Loans	0%	19%	66%	13%
Residential Real Estate				
Total Number of Loans	0%	16%	75%	9%
Total Amount of Loans	0%	13%	75%	12%
*Income level is based on the 1990 median family income of \$31,613 for the Eau Claire MSA, \$43,063 for the Minneapolis-St. Paul MSA, and \$30,290 for the nonmetropolitan areas of Wisconsin.				

The data in the tables show that the bank lends in geographies of various income levels. Due to low-income CT's characteristics, it is reasonable for the bank to have no or very low penetration in that area. The majority of the CTs and BNAs in the assessment area are classified as middle income; therefore, the concentration of loans in the middle-income geographies is reasonable.

Approximately 15% of the total population, families, and owner-occupied housing units are in the moderate-income CTs and BNAs. The bank's residential real estate lending is distributed in a manner consistent with the overall assessment area's population, families, and owner-occupied housing. As discussed subsequently in the evaluation, the distribution of the bank's residential real estate lending in the PRFE assessment area is very good and in the Eau Claire and Menomonie assessment areas is reasonable.

The bank's small business and small farm lending in the overall assessment area's moderate-income areas is adequate. Dun & Bradstreet data for July 1998 show that 21% of the commercial establishments and 27% of the agricultural establishments are in the moderate-income geographies in the assessment area. In light of the number of commercial and agricultural establishments in the overall assessment area's moderate-income areas, the bank's small business and small farm lending appears reasonable.

Additional detail concerning the bank's performance in the three assessment areas, including lending performance in geographies of various income levels throughout the assessment areas, is provided on the following pages of this evaluation.

Borrowers' profiles. The distribution of loans to borrowers of different income levels and to businesses and farms of different sizes reflects good responsiveness to community credit needs. The following tables show the distribution of 1998 and 1999 loans by borrower income levels for the overall assessment area.

DISTRIBUTION OF LOANS IN THE ASSESSMENT AREA BY BORROWER INCOME LEVEL*					
1998 Loan Type	Low-Income Borrowers	Moderate-Income Borrowers	Middle-Income Borrowers	Upper-Income Borrowers	Income Not Reported
Home Improvement					
Total Number of Loans	10%	24%	38%	26%	2%
Total Amount of Loans	11%	11%	37%	39%	2%
Home Purchase					
Total Number of Loans	9%	22%	32%	35%	2%
Total Amount of Loans	5%	16%	29%	48%	2%
Refinancing					
Total Number of Loans	8%	15%	29%	45%	3%
Total Amount of Loans	4%	11%	25%	53%	7%
*Income level is based on the 1998 median family income of \$42,100 for the Eau Claire MSA, \$60,800 for the Minneapolis-St. Paul MSA, and \$41,800 for the nonmetropolitan areas of Wisconsin.					

DISTRIBUTION OF LOANS IN THE ASSESSMENT AREA BY BORROWER INCOME LEVEL*					
1999 Loan Type	Low-Income Borrowers	Moderate-Income Borrowers	Middle-Income Borrowers	Upper-Income Borrowers	Income Not Reported
Home Improvement					
Total Number of Loans	16%	18%	33%	31%	2%
Total Amount of Loans	16%	11%	38%	33%	2%
Home Purchase					
Total Number of Loans	7%	14%	31%	48%	0%
Total Amount of Loans	5%	13%	28%	54%	0%
Refinancing					
Total Number of Loans	9%	24%	33%	32%	2%
Total Amount of Loans	6%	23%	30%	39%	2%
*Income level is based on the 1999 median family income of \$44,300 for the Eau Claire MSA, \$63,600 for the Minneapolis-St. Paul MSA, and \$44,400 for the nonmetropolitan areas of Wisconsin.					

As previously noted, low-income households and families represent 25% and 20% of the assessment area, respectively. Moderate-income households and families represent 17% and 20% of the overall assessment area, respectively. In light of the demographic data, the bank's lending to low-income borrowers appears low. However, as discussed in subsequent sections of this evaluation, the bank's residential real estate lending is good. The loan data reveal that the bank is adequately meeting the needs of individuals of all income levels.

Since the housing markets in the individual assessment areas vary, subsequent sections of this evaluation provide more detail about the distribution of the bank's residential real estate lending by borrower incomes.

Small business and small farm lending. The bank's small business and small farm lending to entities of various sizes is good. The bank extended 67% of its 1998 small business loans and 93% of its 1998 small farm loans to entities with gross annual revenues of \$1 million or less. For 1999, the comparable figures are 74% and 97%, respectively. Between 1998 and 1999, the bank's small business and small farm lending to small entities increased.

The bank's 1998 small business and small farm lending is good. CRA defines small business loans as most commercial loans with original balances of \$1 million or less. Small farm loans are most agricultural loans with original balances of \$500,000 or less. Loans to small businesses and farms are those loans included in the preceding categories that are made to businesses and farms with gross annual revenues of \$1 million or less. The following table shows the 1998 CRA aggregate data reported by large banks for small business and small farm loans in bank's overall assessment area.

1998 CRA AGGREGATE DATA					
(Dollar Amounts Expressed in Thousands)					
<i>Loan Type</i>	<i>Loan Amount</i>			<i>Totals</i>	<i>Gross Annual Revenue £\$1 Million</i>
	<i>£\$100,000</i>	<i>>\$100,000 but £\$250,000</i>	<i>>\$250,000</i>		
Small Business					
Number of Loans	1,397	184	163	1,744	1,050
Percentage of Total	80%	11%	9%	100%	60%
Amount of Loans	\$34,507	\$30,741	\$84,010	\$149,258	\$69,937
Percentage of Total	23%	21%	56%	100%	47%
Small Farm					
Number of Loans	707	97	18	822	769
Percentage of Total	86%	12%	2%	100%	94%
Amount of Loans	\$21,943	\$14,801	\$6,615	\$43,359	\$34,830
Percentage of Total	51%	34%	15%	100%	80%

The table below shows the distribution of M&I Community State Bank's small business and small farm loans by number and amount and the bank's percentage of total 1998 reported aggregate lending in the assessment area. The bank very actively lends to small businesses and small farms in the assessment area.

1998 BANK DATA					
(Dollar Amounts Expressed in Thousands)					
<i>Loan Type</i>	<i>Loan Amount</i>			<i>Totals</i>	<i>Gross Annual Revenues £\$1 Million</i>
	<i>£\$100,000</i>	<i>>\$100,000 but £\$250,000</i>	<i>>\$250,000</i>		
Small Business					
Number of Loans	266	64	62	392	264
Percentage of Total Aggregate	19%	35%	38%	22%	25%
Amount of Loans	\$10,688	\$10,383	\$32,306	\$53,377	\$24,463
Percentage of Total Aggregate	31%	34%	38%	36%	35%
Small Farm					
Number of Loans	360	41	9	410	381
Percentage of Total Aggregate	51%	42%	50%	50%	50%
Amount of Loans	\$10,848	\$6,416	\$3,402	\$20,666	\$15,277
Percentage of Total Aggregate	49%	43%	51%	48%	44%

The bank extended a significant number (67%) of its 1998 small business loans to entities with gross annual revenues of \$1 million or less. The bank's performance is better than the aggregate lenders, who reported extending 60% of small business loans to small entities. Further, as a percentage of total aggregate lenders' loans, the bank extended more small business loans to small entities (25%) than small business loans (22%). In 1999, the bank extended 74% of its small business loans to small entities. The preceding table also shows that the bank is very willing to extend small-dollar-amount loans; it extended 68% of the number and 20% of the amount of small business loans for amounts of \$100,000 or less, which is very good. For 1999, these figures were 65% and 21%, respectively.

The bank extends a significant majority of its small farm loans to entities with gross annual revenues of \$1 million or less. In 1998 and 1999, it extended 93% and 97% of small farm loans, respectively, to such

entities. It extended 88% of its small farm loans for amounts of \$100,000 or less. For loans with amounts of \$100,000 or less, the bank's small farm loans represent 51% of the number and 49% of the dollar amount of loans originated by the aggregate lenders. The bank's small farm lending is very strong.

Subsequent sections of this evaluation provide more detail about the distribution of the bank's small business and small farm lending.

Community Development Lending Activities

In general, the bank operates in an assessment area where competition for qualified community development loans is very strong. Although the bank regularly originates loans that serve community development purposes, such loans are generally classified as HMDA, small business, or small farm loans for purposes of this evaluation. The bank actively continues to seek out community development lending opportunities. However, it has not extended any community development loans in this overall assessment area since the last evaluation.

Product Innovation and Flexibility

The bank offers a variety of loan products and loan terms that evidence its willingness to be flexible and innovative. Other M&I-affiliated banks also offer most of these products. For example, the bank offers an innovative home equity line of credit product, the MI Master Line. The terms of this loan program allow the borrower to convert the open-end line of credit to as many as four closed-end installment loans. The amount of accessible open-end credit increases as the borrower pays down the installment loans.

The NHLP loan program is a good example of a flexible-term loan program; it is designed to help lower-income individuals buy homes. Several M&I-affiliated banks offer this loan program. Under the program terms, the borrower may obtain an adjustable rate mortgage or a five-year balloon loan with a 3% down payment. The bank does not require private mortgage insurance on these loans unlike on conventional real estate loans. Program brochures state that timely rent, utility, and other monthly payments will be considered when reviewing a borrower's qualifications. Eligible borrowers must have incomes not exceeding 100% of the county median family income. The bank has actively continued to extend loans through this program since the previous evaluation. Since the last evaluation, the bank extended 112 NHLP loans totaling \$7.2 million.

The bank also participates in several government loan programs to help meet the credit needs of particular borrowers. One program is the State VA Primary Mortgage Program, a low-interest loan program that provides home purchase, construction, and home improvement loans for Wisconsin veterans. The combined annual income of qualified applicants cannot exceed \$39,000. This loan program also has limited down payment requirements.

The bank is an active participant in the WHEDA home purchase loan programs. Applicants obtaining loans under the WHEDA HOME first-time homebuyers program must provide a down payment of 3% to 5% and meet certain income eligibility guidelines. The bank will recognize the increased property value of a residence improved with a community development block grant ("CDBG") home improvement loan as part of the down payment. (CDBG loans are only available to low- and moderate-income borrowers.) This flexible underwriting guideline is particularly important for low-income borrowers, who often find it difficult to accumulate the required down payment for a conventional loan.

The bank offers loans through small business loan programs administered by SBA and WHEDA. In addition, the bank offers FSA-guaranteed and WHEDA CROP loans to farmers. The purpose of the WHEDA CROP loan program is to provide loans to farmers who have exhausted traditional sources of

credit to purchase fertilizer, seed, or any other service or consumable good necessary to produce an agricultural commodity. The bank has made numerous WHEDA CROP loans since the previous evaluation. The bank also continues to offer PECFA loans. These loans finance environmental cleanup projects throughout the assessment area. The following chart shows the bank's involvement in the previously described loan programs since the last evaluation.

GOVERNMENT-SPONSORED LOAN PROGRAM ORIGINATIONS		
Loan Programs	1998, 1999, and 2000	
	<i>Number of Loans</i>	<i>Amounts of Loans</i>
WHEDA HOME	7	\$ 410,930
VA	11	\$ 983,495
PECFA	15	\$ 700,400
SBA	3	\$3,830,208
WHEDA CROP	28	\$ 489,700

Conclusion

The high satisfactory rating assigned to the bank's performance under the Lending Test is supported by the bank's strong overall lending level. In addition, the bank extended a substantial majority of its loans in the overall assessment area. The loan data show that the bank extends loans throughout the overall assessment area, including in moderate-income areas. The bank also extends loans to people of different income levels and to businesses and farms of different sizes. Finally, the bank offers a wide variety of loan products with flexible underwriting criteria and some innovative products designed to meet the credit needs of low- and moderate-income borrowers, small businesses, and small farms.

Investment Test

The level of the bank's qualified community development investments is rated needs to improve. The bank has had limited qualified community development investment activity since the previous evaluation. Thus, the level of the bank's activity is considered less than adequate in view of the bank's capacity to invest and opportunities in the overall assessment area or broader areas that include the assessment area.

Investment, Grant, and Donation Activity

The level of the bank's community development investments and grants needs to improve. The bank's investment portfolio does not include any qualified community development investments. Although the bank owns securities issued by government authorities in the assessment area, none are considered qualified investments. According to bank management, the opportunity to purchase qualified community development securities either in the bank's assessment areas or the state continues to be limited.

The bank has made qualified community development donations of \$41,140 since the last evaluation. Qualified grants and donations represented 51% of total grants and donations. The bank relies on contributions to provide nonlending-related funding to local projects. These investments and donations are described in more detail under the discussion for each assessment area.

Service Test

The bank's overall rating under the Service Test is high satisfactory. The bank's main office and branch locations, hours of operation, and alternative delivery systems provide convenient customer access to the

bank's services and products. The bank also provides a very high level of community development services, sometimes in a leadership role, to residents of its overall assessment area.

Retail Banking Services, Changes in Branch Locations, and Business Hours

The bank operates an extensive product delivery system to provide ready access to its services and products. The bank operates one branch in a moderate-income geography in Ellsworth. Further, the bank tailors its offices hours in response to local community needs. The bank's main office and all branches are open five days a week, and eight branches offer extended hours on Friday. In addition, four of the branch locations offer Saturday lobby hours and ten of the offices have drive-up hours on Saturday.

The bank provides its customers a free Mi Line telephone banking service. Customers can speak to a bank representative 24 hours a day. In addition to providing account information, bank representatives will also process account and loan applications over the telephone. This system is particularly helpful for individuals without transportation or whose work hours do not coincide with traditional banking hours. Customers may use an automated telephone service to find out current balance information, transfer money between accounts, review cleared checks, and access loan payment and interest information.

The bank also offers the M&I Direct Telephone Bill Pay program and the M&I Direct PC Banking system. For a small monthly fee, customers can use the telephone or PC to pay monthly bills, access account information, and transfer funds between accounts. Finally, the bank offers the M&I Bank Card, and ATM and debit card on the VISA and TYME networks. Bank customers may also transact business at all M&I affiliated banks located throughout Wisconsin.

Overall, the bank's banking services offer a variety of delivery options for all the bank's customers. The availability of telephone banking options enhances the delivery of services to low- and moderate-income individuals. In addition, the bank has an office in a moderate-income area, which contributes significantly to the convenient delivery of services to some of the assessment area's low- and moderate-income individuals. Finally, the bank has very extensive hours that allow customers to access services.

Community Development Services

The bank's community development services are adequate. The bank continues to perform numerous community development services in each of its assessment areas. The bank participates in most, if not all, economic development organizations in the overall assessment area. These services are detailed under the discussion of each of the three assessment areas. Contacts identified additional services in which the bank could participate, including exploring innovative financing partnerships in order to bring additional investments to the assessment area.

Conclusion

The bank's offices and ATMs are accessible to customers in all sections of the bank's three assessment areas. Because office locations, business hours, deposit products, and alternative delivery systems do not vary in a way that inconveniences low- and moderate-income people or residents of low- and moderate-income areas, the bank's retail banking services are rated high satisfactory. The bank's level of community development services is very reasonable and rated low satisfactory. Given the lack of identified unmet needs, the level of community development services does not significantly detract from the bank's overall Service Test rating.

METROPOLITAN ASSESSMENT AREAS ANALYSIS

Eau Claire Assessment Area

Description of Operations

The bank's Eau Claire assessment area is defined as the Eau Claire MSA, which consists of Eau Claire and Chippewa counties, and one adjoining BNA in Clark County. The assessment area has a total population of 141,533 as of the 1990 census. The Eau Claire MSA consists of 32 CTs and had a 1990 population of 137,543 based on 1990 census data. It is located approximately 90 miles east of Minneapolis-St. Paul, Minnesota, in west central Wisconsin.

Twenty of the CTs in the MSA are located in Eau Claire County, which includes the city of Eau Claire. According to updated 1999 population estimates from the State of Wisconsin, Eau Claire's population is 61,150. Other Eau Claire County cities, towns, and villages in this assessment area include Altoona, Augusta, Fall Creek, Lincoln, Pleasant Valley, Union, and Wilson. The other 12 CTs in the Eau Claire MSA are in Chippewa County, which includes the city of Chippewa Falls. According to the 1999 updated population data, Chippewa Falls' population is 13,213. Chippewa County cities and towns also in the assessment area are Bloomer, Boyd, Cadott, Cornell, and New Auburn. The Eau Claire assessment area also includes one BNA in Clark County; the section of Clark County in the bank's assessment area includes the town of Thorp.

Since the last evaluation, the bank changed the geographical definition of the assessment area that for purposes of this evaluation is named the Eau Claire assessment area. It made the assessment area smaller. The bank redefined the part of Clark County that is in the assessment area from four BNAs to one BNA. It also decided not to include any of Trempealeau County in the assessment area.

Examiners contacted government officials familiar with housing issues and with economic development issues in conjunction with the CRA evaluation. Information received from these individuals and from bank management was used to evaluate the bank's performance.

As previously stated, CRA divides income levels into four categories: low, moderate, middle, and upper. Based on the 1990 census data, the Eau Claire MSA and statewide nonmetropolitan median family incomes are \$31,613 and \$30,290, respectively. The income level of CTs and BNAs are determined using these figures. According to updated 1998 data, the Eau Claire MSA and statewide nonmetropolitan median family incomes are \$42,100 and \$41,800, respectively. The updated 1999 census data show the Eau Claire MSA and statewide nonmetropolitan median family incomes as \$44,300 and \$44,400, respectively. The updated median family incomes serve as the basis for classifying borrower income levels.

The Eau Claire assessment area is defined as 32 CTs in Eau Claire and Chippewa counties and one BNA in Clark County. Based on 1990 census data, there is one low-income CT in the assessment area. As discussed earlier, this CT, which does not have any households or families, has a population of 500, which is less than 1% of the assessment area's total population. The low-income CT is in Chippewa County just outside Chippewa Falls' central business district, and it is adjacent to the city's industrial park.

The Eau Claire assessment area has five moderate-income CTs. Two of the CTs are in the city of Eau Claire. One of these CTs is the downtown business district; there are less than 100 owner-occupied households in this tract. The other moderate-income CT is in an older part of the city. This CT has

approximately 2,300 households, but less than half of the households own homes. The other two moderate-income CTs are in the rural areas of Chippewa and Eau Claire counties.

Middle-income geographies constitute the largest percentage of the Eau Claire assessment area. According to the 1990 census data, the 22 middle-income geographies have a total population of 101,061, which is 71% of the assessment area's population. Census data for 1990 show that 40,138 housing units, 73% of the assessment area's housing units, are in the middle-income geographies. In these areas, 67% of the housing units are owner-occupied units, 27% are rental units, and the remaining 6% are vacant units.

Two of the middle-income geographies in the Eau Claire assessment area have median family incomes that are close to the level for classification as moderate-income areas. These geographies are CT 111.00 and BNA 9503. The respective median family incomes for these areas are 81.7 and 81.8 of the appropriate median family income. CT 111.00 has a population of 3,455. Its families and owner-occupied households number 962 and 1,024, respectively. BNA 9503 has a population of 3,990. Its families and owner-occupied households number 1,031 and 1,115, respectively.

The remaining Eau Claire assessment area geographies are classified as upper income. The upper-income CTs have a total population of 24,215, which is 17% of the assessment area's population. In addition, census data show that approximately 8,484 housing units, 15% of the housing units in the assessment area, are in the upper-income CTs. In the upper-income CTs, 59% of the housing units are owner-occupied units, 38% are rental units, and the remainder are vacant units. The relatively high number of rental units in the upper-income CTs corresponds to the presence of the University of Wisconsin-Eau Claire campus in CT 10.00.

According to the 1990 census data, the Eau Claire assessment area's median family income is \$31,402. The median household income for the assessment area is \$25,703. There are 36,055 families and 51,964 households within the assessment area. Approximately 13% of the households and 9% of the families in the assessment area have incomes below the poverty level. The representation of such households and families in the assessment area is slightly higher than in Wisconsin. The census data provide a breakdown of the percentages of low-, moderate-, middle-, and upper-income households and families who reside in the Eau Claire assessment area. The distribution of assessment area households and families by income level is summarized in the following table.

EAU CLAIRE ASSESSMENT AREA HOUSEHOLD AND FAMILY DISTRIBUTION BY INCOME LEVEL				
<i>Unit of Measure</i>	<i>Low Income</i>	<i>Moderate Income</i>	<i>Middle Income</i>	<i>Upper Income</i>
Households Compared to Median Household Income	24%	16%	20%	40%
Families Compared to Median Family Income	19%	18%	26%	37%

According to the 1990 census data, specified owner-occupied housing units numbered 17,341, 67% of which were valued at less than \$60,000. The median housing value was \$49,822, and the median rent was \$344. The census data show housing is affordable in the assessment area.

Community contacts and bank management indicated that the overall economic conditions for the Eau Claire assessment area are strong. The area enjoys a widely diversified economy. According to a February 2000 report, the seasonally adjusted unemployment rate for the Eau Claire MSA was 3.1%, which is lower than one year ago. This rate is also lower than the national rate of 4.1%. Major employers

in the area include the University of Wisconsin-Eau Claire; Silicon Graphics; Hutchinson Technology, Inc.; Johnson Mathey; and Mason Shoe Manufacturing Co. Agriculture continues to be a significant economic sector in the outlying areas of the assessment area. Dairy farming is the primary industry. This industry is in decline, farmers are having an increasingly difficult time maintaining their operations as a result of low market prices. Many rural parts of the assessment area are becoming bedroom communities for Eau Claire and Chippewa Falls. In addition, many main street retailers in these communities continue to go out of business because of competition from Eau Claire retailers.

Conclusions With Respect to Performance Tests--Eau Claire MSA

Lending Test

The bank's lending performance as evaluated under the Lending Test in the Eau Claire assessment area is rated high satisfactory. The bank's strong net loan-to-deposit ratio shows a good responsiveness to community credit needs. Based on the loan data for 1998 and 1999, the bank's lending activity shows adequate penetration of the moderate-income areas in this assessment area. In addition, the bank has an adequate record of serving borrowers of various incomes as well as businesses and farms of different sizes. The community contacts did not identify any unmet credit needs in the Eau Claire assessment area.

Lending Activity

The bank's lending activity in the Eau Claire assessment area is highly satisfactory. The bank is an active lender in the assessment area. Based on December 31, 1999, financial data provided by bank management, the bank's loan-to-deposit ratio of 95% for this assessment area is higher than the bank's overall loan-to-deposit ratio of 87%. As noted in the Description of Institution section, the majority of the bank's lending activity occurs in this assessment area. The bank operates six full-service offices, one paying-and-receiving station, and seven ATMs throughout the Eau Claire assessment area.

For purposes of the Lending Test, this evaluation is based on 3,353 loans. Of these loans, the bank extended 1,963 loans, 59% of the loans sampled, in the Eau Claire assessment area. The loan sample for the Eau Claire assessment area consists of 551 small business, 573 small farm, and 839 residential real estate loans. In 1998, the bank originated 282 small business, 308 small farm, and 609 residential real estate loans. The comparable figures for 1999 are 269, 265, and 230, respectively.

As the data show, the bank's small business, small farm, and residential real estate lending decreased between 1998 and 1999. The largest change occurred in residential real estate lending, which was affected by increasing interest rates. The changes in the number of small business and small farm loans are not significant and probably also merely reflect market factors.

The bank's small business and small farm lending activity is very good. In 1998, the aggregate lenders, which include the bank, reported 1,081 small business loans and 439 small farm loans. The bank's small business and small farm loans represented 26% and 70% of the activity reported for the Eau Claire assessment area. In 1998, 33 lenders reported small business loans and 7 lenders reported small farm loans in the Eau Claire MSA. These figures show that competition for small business loans is probably significantly higher than for small farm loans.

The bank's HMDA lending is very good in the Eau Claire MSA, but the bank is not a leading lender. In 1998, the bank extended 653 HMDA-reportable loans. Between 1997 and 1998, the bank's HMDA-reportable lending increased 47%. The increase is attributed in part to low interest rates. Because of the attractive interest rates during 1998, many of the HMDA-reportable loans were refinances. In 1999, the bank reported 230 HMDA-reportable loans in the assessment area. In 1998, aggregate reporters extended

8,424 HMDA-reportable loans in the Eau Claire MSA. The bank's lending activity represented 8% of the aggregate activity for 1998.

The Eau Claire assessment area is a very competitive market. As previously noted, 33 financial institutions reported small business loans and 80 lenders reported HMDA-reportable loans in the assessment area. The economic conditions in the assessment area are strong. It appears that demand for credit is also strong and that the bank is very willing to extend loans in the Eau Claire assessment area.

Overall, the bank's lending activity in the Eau Claire assessment area is very good. The bank is not a leading lender of HMDA-reportable and small business loans in the assessment area but is a leading lender of small farm loans. The bank's loan-to-deposit ratio for the offices in the Eau Claire assessment area is high and supports the conclusion that the bank actively extends loans in the area. Thus, the bank lending activity is very good.

Assessment Area Concentrations

As noted in the discussion of the bank's overall assessment area, the bank makes a substantial majority of its loans within its assessment areas. Since the bank reports HMDA and CRA loans for all offices as a whole, rather than for an individual office, HMDA and CRA data are not useful for assessing the concentration of the bank's loans in an individual assessment area. The data are useful for evaluating the concentration of the institution's lending in the overall assessment area. Refer to the overall assessment area analysis for a discussion of the concentration of the institution's lending in the overall assessment area.

Geographic Distribution of Loans

The dispersion and distribution of the bank's lending in geographies of different income levels is adequate. In the Eau Claire assessment area, the bank's lending penetrates moderate-income geographies. It is also dispersed throughout the assessment area.

The bank's lending activity is very dispersed throughout the Eau Claire assessment area. The following table shows the dispersion of the bank's loans throughout the assessment area.

DISPERSION OF LOANS THROUGHOUT THE ASSESSMENT AREA				
	<i>Low-Income Geographies</i>	<i>Moderate- Income Geographies</i>	<i>Middle- Income Geographies</i>	<i>Upper- Income Geographies</i>
Number of Geographies	1	4	22	6
1998 Number of Geographies with Lending Activity	1	4	22	6
1998 Percentage of Geographies with Lending Activity	100%	100%	100%	100%
1999 Number of Geographies with Lending Activity	0	4	22	6
1999 Percentage of Geographies with Lending Activity	0%	100%	100%	100%

As the data show, the bank is extending loans in all of the geographies in the Eau Claire assessment area. Thus, the dispersion of the bank's loans is excellent.

The distribution of the bank's loans in the Eau Claire assessment area is reasonable. The Eau Claire assessment area consists of 33 CTs and BNAs in Eau Claire, Chippewa and Clark counties. There is one low-income tract. The majority of the geographies are classified as middle income. The following table shows the distribution of the assessment area's population and owner-occupied housing units by geographic classification.

DISTRIBUTION OF GEOGRAPHIES, POPULATION, AND OWNER-OCCUPIED UNITS BY INCOME LEVEL				
	Low Income	Moderate Income	Middle Income	Upper Income
Number of geographies	1	4	22	6
Percentage of total geographies	3.0%	12.1%	66.7%	18.2%
Population	500	15,757	101,061	24,215
Percentage of total population	0.4%	11.1%	71.4%	17.1%
Percentage of owner-occupied units	0.0%	10.1%	75.6%	14.3%

The following table shows the distribution of the bank's loans by geography. As discussed earlier, because of the nature of the low-income tract, it is not unreasonable for the bank to report no activity or very limited activity in this tract. Therefore, the low-income tract is not listed in the table.

1998 DISTRIBUTION OF LOANS IN THE EAU CLAIRE ASSESSMENT AREA BY INCOME LEVEL OF GEOGRAPHY						
Loan Type	Moderate Income		Middle Income		Upper Income	
	Number of Loans	Amount of Loans	Number of Loans	Amount of Loans	Number of Loans	Amount of Loans
Home Purchase	7%	4%	80%	81%	13%	15%
Refinancing	6%	4%	73%	72%	21%	24%
Home Improvement	10%	4%	80%	86%	10%	10%
Total Residential Real Estate	7%	4%	76%	77%	17%	19%
Small Business	8%	11%	76%	75%	16%	14%
Small Farm	12%	6%	69%	77%	19%	17%

1999 DISTRIBUTION OF LOANS IN THE EAU CLAIRE ASSESSMENT AREA BY INCOME LEVEL OF GEOGRAPHY						
Loan Type	Moderate Income		Middle Income		Upper Income	
	Number of Loans	Amount of Loans	Number of Loans	Amount of Loans	Number of Loans	Amount of Loans
Home Purchase	1%	-	76%	75%	23%	25%
Refinancing	5%	4%	83%	82%	12%	14%
Home Improvement	21%	8%	72%	78%	7%	14%
Total Residential Real Estate	6%	2%	79%	78%	15%	20%
Small Business	10%	11%	74%	69%	15%	19%
Small Farm	16%	11%	66%	70%	18%	19%

As the data in the tables show, the bank's residential real estate lending in the assessment area has increased. All of the increase is due to the bank's home improvement lending. The bank's small business and small farm lending in the assessment area's moderate-income geographies also increased between 1998 and 1999.

The bank's 1998 HMDA-reportable loan activity in the moderate-income CTs is lower but not unreasonably lower than the aggregate reporters. The bank extended 42 loans, 6% of its reported loans, in the moderate-income CTs. The aggregate reporters extended 9% of 1998 HMDA-reportable loans in the assessment area's moderate-income CTs.

The distribution of residential real estate loans shows that the bank's penetration of the moderate-income CTs is low. According to census data, 11% of the assessment area's population, 12% of the households, 11% of the families, and 10% of the owner-occupied units are in the moderate-income CTs. With the exception of 1999 home improvement loans, the bank's residential real estate lending in the moderate-income CTs is low. The strength the bank's home improvement lending probably reflects the characteristics of the moderate-income area in Eau Claire, which is composed of mostly older homes. There is little or no housing construction in Eau Claire's moderate-income areas.

Moderate-income CTs 6.00 and 11.00 are the downtown business district of Eau Claire and an older residential area near the downtown area. CT 6.00 has many older, small homes that were constructed close to the former Uniroyal Goodrich Tire Company ("Uniroyal") tire plant. For many years, Uniroyal was one of Eau Claire's major employers. The age of the housing units in CT 6.00 probably relates to the demand for home improvement loans in this area. The bank has consistently served this credit need. Its 1998 home improvement lending was very good. Its 1999 performance was excellent.

CT 11.00 offers few residential real estate lending opportunities with just 433 households and only 43 owner-occupied housing units. In addition, it is adjacent to the University of Wisconsin-Eau Claire campus and has a large student population.

As previously stated, two of the assessment area's middle-income geographies have median family incomes that are close to the classification level for moderate-income areas. One of these areas is CT 111.00. The bank extended about 2% of its 1998 loans in CT 111.00. The other area is BNA 9503 where the bank extended approximately 4% of its 1998 loans. In 1999, the bank's activity in CT 111.00 and BNA 9503 represented approximately 2% and 4% of all loans, respectively. CT 111.00 and BNA 9503 are home to approximately 6% of the families and 6% of the owner-occupied housing units. Thus, the bank's performance in these areas is lower than the representation of families and owner-occupied housing units in these areas.

According to Dun & Bradstreet data for July 1998, 15% of the assessment area's commercial establishments and 11% of the agricultural establishments are in moderate-income CTs. The aggregate lenders extended 16% of small business loans and 12% of small farm loans in the moderate-income areas. As the 1998 loan data show, the bank extended 8% of its small business loans and 12% of its small farm loans in moderate-income CTs. The comparable 1999 figures are 10% and 16%, respectively. The bank's level of small business and small farm lending increased between 1998 and 1999. Given the relative percentage of agricultural establishments in the moderate-income CTs, the bank's small farm loan presence in these areas is very good to excellent. On the other hand, the bank's small business loan presence in these areas is reasonable.

Two of the assessment area's four moderate-income CTs are rural areas. These CTs are 1.00 and 109.00. Therefore, the bank's lending in these two CTs is primarily small farm loans.

The dispersion and distribution of the bank's lending in geographies of different income levels is reasonable. In the Eau Claire assessment area, the bank's lending penetrates moderate-income geographies. It is also dispersed throughout the assessment area. Thus, the geographic dispersion and distribution of the bank's loans is adequate.

Borrowers' Profiles

The bank has a very good record of lending to borrowers of different incomes and to businesses and farms of different sizes. The bank's residential real estate lending to low-income borrowers is low but reasonable. The bank's lending to moderate-income borrowers is very good. The distribution of small business and small farm loans to entities of different sizes is good.

As previously discussed, CRA classifies income levels into four categories: low, moderate, middle, and upper. The 1998 and 1999 Eau Claire MSA median family incomes of \$42,100 and \$44,300 were used to classify borrowers in Eau Claire and Chippewa counties. For borrowers in the Clark County BNA that is part of the Eau Claire assessment area, the 1998 and 1999 median family incomes for the nonmetropolitan areas of Wisconsin of \$41,800 and \$44,400 were used to classify income levels. The following tables show the distribution of 1998 and 1999 loans by borrower income levels for the Eau Claire assessment area.

DISTRIBUTION OF LOANS IN THE EAU CLAIRE ASSESSMENT AREA BY BORROWER INCOME LEVEL*					
<i>1998</i>	<i>Low-Income Borrowers</i>	<i>Moderate-Income Borrowers</i>	<i>Middle-Income Borrowers</i>	<i>Upper-Income Borrowers</i>	<i>Income Not Reported</i>
<u>Residential Real Estate</u>					
Total Number of Loans	8%	15%	29%	45%	3%
Total Amount of Loans	4%	9%	22%	55%	10%
*For borrowers in the Eau Claire MSA, income level is based on the 1998 median family income of \$42,100 for the Eau Claire MSA. For borrowers in Clark County BNA 9503, income level is based on the 1998 median family income of \$41,800 for the nonmetropolitan areas of Wisconsin.					

DISTRIBUTION OF LOANS IN THE EAU CLAIRE ASSESSMENT AREA BY BORROWER INCOME LEVEL*					
<i>1999</i>	<i>Low-Income Borrowers</i>	<i>Moderate-Income Borrowers</i>	<i>Middle-Income Borrowers</i>	<i>Upper-Income Borrowers</i>	<i>Income Not Reported</i>
<u>Residential Real Estate</u>					
Total Number of Loans	8%	17%	30%	44%	1%
Total Amount of Loans	4%	13%	24%	58%	1%
*For borrowers in the Eau Claire MSA, income level is based on the 1999 median family income of \$44,300 for the Eau Claire MSA. For borrowers in Clark County BNA 9503, income level is based on the 1999 median family income of \$44,400.					

As the data show, the bank's level of lending to low- and moderate-income borrowers did not significantly change between 1998 and 1999.

Within the assessment area, the income distribution of households is 24% low income, 15% moderate income, 20% middle income, and 40% upper income. The comparable figures for families are 19%, 18%, 26%, and 37%, respectively. Comparing the demographic data to the loan data shows that the bank's lending to low-income borrowers is low and to moderate-income borrowers is good.

The HMDA data show that the level of the bank's lending to low-income borrowers is actually good when compared to that of the aggregate reporters. In 1998, the bank extended 52 loans to low-income borrowers, and the aggregate reporters extended 536 loans to low-income borrowers. As a percentage of

1998 lending, the bank extended 8% and the aggregate reporters extended 6% of loans to low-income borrowers. The data show that the bank's lending to low-income borrowers is higher than the aggregate reporters' lending.

The HMDA data show that the bank is also lending to moderate-income borrowers. In 1998, the bank extended 98 and the aggregate reporters extended 1,267 loans to moderate-income borrowers. The bank's lending to moderate-income borrowers represented 15% of HMDA loans. The comparable figure for the aggregate reporters is also 15%. In this case, the bank's performance matched the aggregate reporters performance.

The bank is an active commercial and agricultural lender in the Eau Claire assessment area. Together, commercial and agricultural lending represent approximately 81% of the bank's lending activity. The following table shows the 1998 CRA aggregate data reported by large banks for small business and small farm loans in the Eau Claire assessment area.

1998 CRA AGGREGATE DATA--EAU CLAIRE ASSESSMENT AREA					
(Dollar Amounts Expressed in Thousands)					
Loan Type	Loan Amount			Totals	Gross Annual Revenue £\$1 Million
	£\$100,000	>\$100,000 but £\$250,000	>\$250,000		
Small Business					
Number of Loans	848	119	114	1,081	577
Percentage of Total	78%	11%	11%	100%	53%
Amount of Loans	\$21,292	\$20,506	\$59,294	\$101,092	\$41,325
Percentage of Total	21%	20%	59%	100%	41%
Small Farm					
Number of Loans	391	41	7	439	413
Percentage of Total	89%	9%	2%	100%	94%
Amount of Loans	\$11,754	\$5,993	\$2,433	\$20,180	\$16,407
Percentage of Total	58%	30%	12%	100%	81%

The following table shows the distribution of M&I Community State Bank's small business and small farm loans by number and amount. It also shows the bank's lending as a percentage of the aggregate lenders' loans.

1998 BANK DATA					
(Dollar Amounts Expressed in Thousands)					
Loan Type	Loan Amount			Totals	Gross Annual Revenue £\$1 Million
	£\$100,000	>\$100,000 but £\$250,000	>\$250,000		
Small Business					
Number of Loans	191	45	46	282	188
Percentage of Aggregate Total	23%	38%	40%	26%	33%
Amount of Loans	\$7,737	\$7,339	\$24,969	\$40,045	\$17,120
Percentage of Aggregate Total	36%	36%	42%	40%	41%
Small Farm					
Number of Loans	273	29	6	308	292
Percentage of Aggregate Total	70%	71%	86%	70%	71%
Amount of Loans	\$7,989	\$4,275	\$2,064	\$14,328	\$11,303
Percentage of Aggregate Total	68%	71%	85%	71%	69%

The bank actively extends small business loans to entities with gross annual revenues of \$1 million or less. The bank originated 188 small business loans to entities with gross annual revenue of \$1 million or less. These loans represented 67% of the bank's small business loans. The aggregate lenders extended 53% of the reported small business loans to entities with gross annual revenues of \$1 million or less. The bank's performance is better than that of the aggregate lenders.

The bank also actively extends small farm loans to entities with gross annual revenues of \$1 million or less. The bank extended 292 small farm loans to such entities. These loans represented 95% of the bank's small farm loans. The aggregate lenders extended 94% of small farm loans to small entities. Again, the bank's performance is better than that of the aggregate lenders.

The bank originates small business and small farm loans that have low-dollar amounts. The bank extended 68% of its small business loans and 89% of its small farm loans in amounts of \$100,000 or less. The comparable figures for the aggregate lenders are 78% and 89%. The data show that the bank extends relatively fewer small business loans with low-dollar amounts than the aggregate lenders. The bank's small farm loan performance, however, matches the aggregate lenders' performance.

The following table shows the distribution of the bank's 1999 small business and small farm loans.

1999 BANK DATA					
(Dollar Amounts Expressed in Thousands)					
Loan Type	Loan Amount			Totals	Gross Annual Revenue £\$1 Million
	£\$100,000	>\$100,000 but £\$250,000	>\$250,000		
Small Business					
Number of Loans	183	52	34	269	202
Percentage of Total	68%	19%	13%	100%	75%
Amount of Loans	\$8,460	\$8,378	\$16,872	\$33,710	\$19,542
Percentage of Total	25%	25%	50%	100%	58%
Small Farm					
Number of Loans	229	28	8	265	256
Percentage of Total	86%	11%	3%	100%	97%
Amount of Loans	\$7,632	\$3,925	\$2,524	\$14,081	\$12,100
Percentage of Total	54%	28%	18%	100%	86%

The bank's 1999 small business and small farm data show that the bank is actively originating loans to small entities. The bank extended 75% of its small business loans to entities with gross annual revenues of \$1 million or less. It extended almost all of its small farm loans to such entities. Between 1998 and 1999, the bank originated relatively more small business and small farm loans to entities with gross annual revenues of \$1 million or less.

Within the Eau Claire assessment area, most commercial and agricultural establishments have gross annual revenues of \$999,999 or less. According to Dun & Bradstreet data as of July 1998, 89% of commercial establishments and 100% of agricultural establishments are small. Based on this data, it appears that the bank's small business and small farm loans to entities with gross annual revenues of \$1 million or less is merely reasonable.

Overall, the distribution of the bank's loans by borrower income, business size, and farm size is good. The bank extended relatively few residential real estate loans to low-income borrowers. This performance, however, is better than the aggregate reporters' performance in the assessment area. The bank's residential real estate lending to moderate-income borrowers is very good when compared with the

demographic data and the aggregate reporters' data. The bank's small business and small farm lending is good. Thus, the bank's record of lending to borrowers of different income levels and to businesses and farms of different sizes is good.

Investment Test

The bank's performance under the Investment Test in the Eau Claire assessment area needs to improve. The bank's level of investments, grants, and contributions shows less than adequate responsiveness to the community development needs the assessment area. The bank relies on contributions to provide nonlending-related funding to community development organizations and projects.

As discussed previously under the bank's overall Investment Test section, the bank does not own any investments that qualify as community development investments under CRA. According to bank management, there are few investment opportunities in the Eau Claire assessment area. The bank donates a limited amount to organizations that provide community development services in the Eau Claire assessment area and qualify under the CRA. The bank has not engaged in any complex or innovative investment activities.

Since the last evaluation, the bank made qualified donations of \$31,015, which represents 75% of total amount of qualified donations. The Eau Claire assessment area offers the greatest opportunity of all of the assessment areas for the bank to make qualified donations. The seven offices in the Eau Claire assessment area made qualifying community development donations to the following agencies and organizations among others:

- United Way of Greater Eau Claire
- Habitat for Humanity
- Chippewa Area Senior Center
- Bloomer Industrial Development Corporation
- Chippewa Valley Business Incubation Center
- L.E. Phillips Senior Center

Given the bank's size and the community development investment opportunities in the Eau Claire assessment area, the level of the bank's community development investments is low. Thus, it is rated needs to improve.

Service Test

The bank's performance under the Service Test in the Eau Claire assessment area is rated high satisfactory. The bank's main office and branch locations, hours of operation, and alternative delivery systems provide convenient customer access to the bank's services and products. The bank also provides a very high level of community development services, sometimes in a leadership role, in the assessment area.

Retail Banking Services, Changes in Branch Locations, and Business Hours

The bank operates an effective and comprehensive system that delivers retail banking services to residents, businesses, and farms in the Eau Claire assessment area. Its services reach residents with low and moderate incomes as well as residents and businesses in low- and moderate-income areas. The bank operates six full-service branches, a paying-and-receiving facility, and seven ATMs in this assessment area. None of the bank's offices is in a moderate-income CT; however, the bank's offices are accessible

to the residents, businesses, and farms in low- and moderate-income geographies. The bank offers several additional delivery systems that provide access to its services; these services are detailed in the overall assessment area analyses.

To accommodate the needs of local residents, businesses, and farms, the bank has established office hours that are appropriate for the community. As shown in the following table, six of the branch offices have Saturday hours.

MAIN AND BRANCH OFFICE HOURS				
Office	Lobby		Drive-Up Facility	
	Monday-Friday	Saturday	Monday-Friday	Saturday
Eau Claire (Main office)	9:00 a.m. to 4:30 p.m.	Closed	Not Applicable	Not Applicable
Eau Claire (Paying and Receiving)	Not Applicable	Not Applicable	7:30 a.m. to 6:00 p.m.	7:30 a.m. to noon
Eau Claire Hwy 93 Branch	9:00 a.m. to 4:30 p.m.	8:30 a.m. to noon	7:30 a.m. to 6:00 p.m.	8:30 a.m. to noon
Bloomer Branch	8:30 a.m. to 4:00 p.m. (5:00 p.m. on Friday)	Closed	8:00 a.m. to 5:30 p.m. (6:00 p.m. on Friday)	9:00 a.m. to noon
Chippewa Falls Branch	9:00 a.m. to 4:00 p.m. (5:00 p.m. on Friday)	Closed	8:30 a.m. to 6:00 p.m.	8:30 a.m. to noon
Fall Creek Branch	10:00 a.m. to 4:00 p.m.	Closed	10:00 a.m. to 5:00 p.m. (6:00 p.m. on Friday)	9:00 a.m. to noon
Thorp Branch	9:00 a.m. to 4:00 p.m. (6:00 p.m. on Friday)	Closed	8:30 a.m. to 5:00 p.m. (6:00 p.m. on Friday)	8:30 a.m. to noon

Since the previous evaluation, the bank sold its full-service office in Boyd. This office was in a middle-income CT. The bank's other offices adequately service the former customers of the Boyd office. The sale of the Boyd office was not detrimental to the area.

Overall, the bank's retail banking services offer a variety of delivery options for all of its customers. The availability of free telephone banking enhances the delivery of services to low- and moderate-income individuals. Thus, the bank's retail banking services and business hours are good.

Community Development Services

Since the last evaluation, the bank has engaged in a reasonable level of community development services. The bank is very supportive of activities that promote the economic and social health of the assessment area; however, many of these activities do not qualify as community development services. The bank's officers and staff perform qualified community development services within the Eau Claire assessment area. The majority of these services relate to supporting the economic development of the assessment area by attracting new businesses. The bank's community development services include the following:

- The president is the director of the Community Development Center for the Disadvantaged,
- A vice president serves on the Chippewa Falls Main Street as a board member, the Economic Restructuring Committee, and the Bloomer Industrial Development Corporation,
- The bank provides Hmong language brochures for WHEDA loan programs in the bank's main office. WHEDA loan programs are generally targeted to low- and moderate-income individuals.

Officers and staff members also provide community development services by participating on the following boards and committees:

- City of Bloomer-Revolving Loan Fund
- Thorp Business Association
- Salvation Army
- United Way (various committees targeted to serving low- and moderate-income people)

The bank's level of community development services is adequate given the opportunities in the Eau Claire assessment area. The services noted above are responsive to the needs identified by community contacts.

Conclusion

Based on the criteria outlined above, the bank's performance in the Eau Claire assessment area is rated high satisfactory. Performance under the Lending Test is considered high satisfactory. This rating is based on M&I Community State Bank's responsiveness to credit needs, substantial lending within the assessment area, good distribution of loans among geographies of different income levels, and reasonable distribution of loans among borrowers of different income levels and to businesses of different sizes. In addition, the bank's use of flexible loan products increased the availability of credit to low- and moderate-income individuals. Performance under the Investment Test is less than adequate based on the qualified donation activity in the assessment area. Finally, the bank's performance under the Service Test is considered high satisfactory based on the accessibility of services and good use of alternative delivery systems and community development services.

Prescott/River Falls/Ellsworth Assessment Area

Description of Operations

The PRFE assessment area is located on the Minnesota-Wisconsin border. It is composed of Pierce County and a portion of St. Croix County, Wisconsin. These two counties are in the Minneapolis-St. Paul MSA, which comprises 13 counties in Minnesota and Wisconsin. The bank has no offices in the Minnesota part of the Minneapolis-St. Paul MSA. The bank has three branch offices in this assessment area; the offices are in Prescott, River Falls, and Ellsworth.

This assessment area has a population of 49,657 based on 1990 census data. There are 11 geographies in this assessment area: three CTs in the southeastern section of St. Croix County and eight BNAs in Pierce County. The major communities in the assessment area include Baldwin, Ellsworth, Prescott, and River Falls, Wisconsin. Prescott and River Falls are both located in Pierce County. These communities continue to experience tremendous growth in residential real estate and commercial construction. Many people from the Minneapolis-St. Paul area continue to move across the border in pursuit of a more rural home setting; this area had been less developed than other areas of the metropolis. Businesses have also moved into the area to take advantage of the lower costs of doing business in Wisconsin. Updated population data for the two counties show the level of growth since the 1990 census. In 1990, the population of Pierce County was 32,765; the updated 1997 estimated figure is 35,236, an increase of 8%. For St. Croix County, the 1990 population was 50,668; the updated 1999 figure is 58,724, an increase of 16%.

According to the community contacts and bank management, the economy in the assessment area is strong and unemployment is low; however, economic conditions are varied. Those people who live in the eastern section of the assessment area are not experiencing the same economic benefits as those in the western section, which is along the Minnesota-Wisconsin border. Many of the individuals who live along the border and close to Interstate 94 commute to jobs in the Twin Cities. Wages in Minnesota are generally higher than in Wisconsin. The extremely low unemployment rate contributes to wage escalation for many people, particularly for skilled workers. Several large employers are located in Minnesota. In the eastern section of the assessment area, most residents live beyond reasonable commuting distance to the Twin Cities. The eastern section of the assessment area is largely rural with small communities, such as Glenwood City and Woodville, Wisconsin.

As previously stated, CRA divides income levels into four categories: low, moderate, middle, and upper. Based on 1990 census data, the Minneapolis-St. Paul MSA median family income is \$43,063. The income level of CTs and BNAs are determined using this figure. According to updated 1998 and 1999 census data, the Minneapolis-St. Paul MSA median family incomes are \$60,800 and \$63,600, respectively.

As mentioned, the PRFE assessment area is 11 geographies in two counties. The assessment area does not have any geographies that are classified low or upper income. Five of the geographies are classified as moderate income, while six geographies are classified as middle income. For HMDA data, Pierce County is considered untracked, and the bank reports all HMDA loans as being in one middle-income geography. The bank's Ellsworth office is in moderate-income BNA 9607. The moderate-income geographies, which consist of two CTs in St. Croix County and three BNAs in Pierce County, have a combined population of 19,683, according to the 1990 census data. These areas represent 45% of the geographies and approximately 40% of the assessment area's population. Census data show that approximately 7,358 housing units, 41% of all housing units in the assessment area, are in moderate-income geographies. These geographies contain 43% of the owner-occupied housing units in the assessment area. The data show that 72% of the housing units are owner occupied, 23% are rental units, and the remaining 5% are vacant.

Housing in the PRFE assessment area is less affordable than in the bank's overall assessment area. The 1990 median rent in this assessment area is \$393, and the 1990 median housing value is \$66,954. In this assessment area, 39% of specified owner-occupied housing units have values less than \$60,000; the comparable figure for the Eau Claire assessment area is nearly 70%. The relatively higher cost of housing in this assessment area reflects the influence of the Twin Cities metropolitan area. Bank management confirmed that housing costs have continued to increase substantially in some parts of the assessment area since the previous evaluation.

The middle-income geographies, which include one CT in St. Croix County and five BNAs in Pierce County, have a combined population of 29,974. The bank's Prescott office is in middle-income BNA 9605, and the River Falls office is in middle-income BNA 9603. In the middle-income geographies, 67% of the 10,382 housing units are owner occupied, 28% are rental units, and the remaining 4% are vacant.

According to the 1990 census data, the PRFE assessment area's median family income is \$36,328. The median household income for the assessment area is \$31,269. There are 12,600 families and 17,017 households in the assessment area. Approximately 6% of the families and 10% of the households have incomes below the poverty level. The percentages of such families and households in the assessment area are lower than the percentages for the Eau Claire MSA and the nonmetropolitan statewide area, which are 8% and 11%, respectively. The distribution of family and household income for the assessment area is summarized in the following table.

PRFE ASSESSMENT AREA POPULATION DISTRIBUTION BY INCOME LEVEL				
<i>Unit of Measure</i>	<i>Low Income</i>	<i>Moderate Income</i>	<i>Middle Income</i>	<i>Upper Income</i>
Households Compared to Median Household Income	23%	23%	28%	26%
Families Compared to Median Family Income	27%	19%	24%	30%

Conclusions With Respect to Performance Tests--Prescott/River Falls/Ellsworth Assessment Area

Lending Test

The bank's performance under the Lending Test in the PRFE assessment area is good and rated high satisfactory. The bank's loan-to-deposit ratio in this assessment area is reasonable. In addition, the geographic distribution of loans in the assessment area reflects good penetration of the moderate-income geographies. The distribution of the bank's reported loans to borrowers of different incomes and businesses and farms of different sizes is also good. The bank has a good record of serving low- and moderate-income borrowers as well as small businesses and small farms in the assessment area. It makes good use of flexible lending programs in the assessment area.

Lending Activity

The bank's lending activity in the PRFE assessment area is good. The bank is an active lender in the assessment area. Based on December 31, 1999, financial data provided by bank management, the bank's loan-to-deposit ratio of 59% for this assessment area is lower than the bank's loan-to-deposit ratio. Loans for branches in the PRFE assessment area accounted for 15% of the bank's loan portfolio as of December 31, 1999. The bank operates three full-service offices and two ATMs throughout the PRFE assessment area.

For purposes of the Lending Test, this evaluation is based on 3,353 loans. Of these loans, the bank extended 529 loans, 16% of the loans sampled, in the PRFE assessment area. The loan sample for the PRFE assessment area consists of 117 small business, 117 small farm, and 295 residential real estate loans. In 1998, the bank originated 51 small business, 57 small farm, and 192 residential real estate loans. The comparable figures for 1999 are 66, 60, and 103, respectively. As the data show, the bank's residential real estate lending decreased between 1998 and 1999. The residential real estate lending decrease reflects increasing interest rates.

The bank's small business and small farm lending activity is good. In 1998, the aggregate lenders, which includes the bank, reported 286 small business loans and 122 small farm loans. The bank's small business and small farm loans represented 18% and 47% of the activity reported for the PRFE assessment area.

The bank has four competitor financial institutions in the PRFE assessment area that also report HMDA data. These competitors showed the following HMDA activity in the bank's PRFE assessment area during 1998.

Banks	Total Assets 12/31/99 (000's)	1998 Loans
M&I Community State Bank Eau Claire, Wisconsin	\$542,705	236
The First National Bank of New Richmond New Richmond, Wisconsin	\$ 75,618	7
The First National Bank of River Falls River Falls, Wisconsin	\$174,733	492
Bremer Bank, N.A. Menomonie, Wisconsin	\$392,776	8
S&C Bank New Richmond New Richmond, Wisconsin	\$ 83,438	16

The table reflects a very small number of financial institutions that originate HMDA-reportable loans in the Minneapolis-St. Paul MSA. The PRFE assessment area of the Minneapolis-St. Paul MSA is also served by financial institutions that are subsidiaries of large multibank holding companies. The table identifies some of the financial institutions with main offices or branches in either Pierce or St. Croix counties. Among these institutions, the bank recorded the second highest number of loans. The bank's HMDA lending activity is good in the PRFE assessment area.

The economic conditions in the assessment area are strong. Residential real estate construction is also strong. It appears that demand for credit is strong and that the bank is very willing to extend loans in the PRFE assessment area.

Overall, the bank's lending activity in the PRFE assessment area is good. The bank is one of two leading lenders of HMDA-reportable and small farm loans in the assessment area but is not a leading lender of small business loans. The bank's loan-to-deposit ratio for the offices in the PRFE assessment area is adequate and supports the conclusion that the bank actively extends loans in the area. Thus, the bank lending activity is good.

Assessment Area Concentrations

As noted in the discussion of the bank's overall assessment area, the bank makes a substantial majority of its loans within its assessment areas. Since the bank reports HMDA and CRA loans for all offices as a whole, rather than for an individual office, HMDA and CRA data are not useful for assessing the concentration of the bank's loans in an individual assessment area. The data are useful for evaluating the concentration of the institution's lending in the overall assessment area. Refer to the overall assessment area analysis for a discussion of the concentration of the institution's lending in the overall assessment area.

Geographic Distribution of Loans

Overall, the geographic dispersion and distribution of the bank's loans is good in the PRFE assessment area. As previously discussed, the assessment area includes three CTs in St. Croix County and eight BNAs in Pierce County. The other geographies are classified as middle income. There are no low- or upper-income geographies in the assessment area.

The bank's lending activity is very dispersed throughout the PRFE assessment area. The following table shows the dispersion of the bank's loans throughout the assessment area.

DISPERSION OF LOANS THROUGHOUT THE ASSESSMENT AREA		
	<i>Moderate-Income Geographies</i>	<i>Middle-Income Geographies</i>
Number of Geographies	5	6
1998--Number of Geographies with Lending Activity	5	6
1998--Percentage of Geographies with Lending Activity	100%	100%
1999--Number of Geographies with Lending Activity	5	6
1999--Percentage of Geographies with Lending Activity	100%	100%

As the data show, the bank is extending loans in all of the geographies in the PRFE assessment area. The majority of the bank's lending in the moderate-income geographies occurs in BNA 9607, where the bank's Ellsworth office is located. The other moderate-income geographies are located some distance from the bank's offices, and other financial institutions more conveniently serve these areas. The dispersion of the bank's loans is excellent.

The distribution of the bank's loans in the PRFE assessment area is good. The following table shows the distribution of the assessment area's population and owner-occupied housing units by geographic classification.

DISTRIBUTION OF GEOGRAPHIES, POPULATION, AND OWNER-OCCUPIED UNITS BY INCOME LEVEL		
	Moderate Income	Middle Income
Number of geographies	5	6
Percentage of total geographies	45%	55%
Population	19,683	29,974
Percentage of total population	40%	60%
Percentage of owner-occupied units	43%	57%

The following table shows the distribution of the bank's loans by geography income level in the assessment area for 1998 and 1999.

1998 DISTRIBUTION OF LOANS IN THE PRFE ASSESSMENT AREA BY INCOME LEVEL OF GEOGRAPHY				
Loan Type	Moderate Income		Middle Income	
	Number of Loans	Amount of Loans	Number of Loans	Amount of Loans
Home Purchase	38%	37%	62%	63%
Refinance	35%	35%	65%	65%
Home Improvement	27%	13%	73%	87%
Small Business	55%	68%	45%	32%
Small Farm	75%	78%	25%	22%

1999 DISTRIBUTION OF LOANS IN THE PRFE ASSESSMENT AREA BY INCOME LEVEL OF GEOGRAPHY				
Loan Type	Moderate Income		Middle Income	
	Number of Loans	Amount of Loans	Number of Loans	Amount of Loans
Home Purchase	50%	44%	50%	56%
Refinance	38%	34%	62%	66%
Home Improvement	54%	37%	46%	63%
Small Business	55%	53%	45%	47%
Small Farm	72%	78%	28%	22%

The figures above show a significant increase in residential real estate lending in the moderate-income geographies since the previous evaluation. The bank extended a high level of home purchase loans in the moderate-income geographies. The bank's performance is very good considering that 40% of the population and 43% of the owner-occupied housing units are in moderate-income geographies.

A comparison of the bank's HMDA lending in the moderate-income tracts would not be meaningful. As previously stated, for HMDA purposes, Pierce County is considered one middle-income tract rather than three moderate-income and five middle-income geographies. Accordingly, HMDA data does not accurately reflect the bank's performance in the PRFE assessment area.

The data also show that the bank is actively extending small business and small farm loans in the PRFE assessment area's moderate-income geographies. In 1998, the bank extended 55% of its small business and 75% of its small farm loans in moderate-income geographies. The comparable figures for 1999 are 55% and 75%, respectively. In 1998, the aggregate lenders extended 40% of small business and 72% of small farm loans in the moderate-income geographies. Within the assessment area, 45% of the commercial establishments and 58% of the agricultural establishments are in moderate-income geographies. The bank's small business lending is good and small farm lending is excellent in the assessment area's moderate-income geographies.

The geographic dispersion and distribution of the bank's lending is good. The bank extends loans throughout the assessment area. Further, the small farm lending in the moderate-income areas is excellent. The bank's small business and residential real estate lending in the moderate-income areas is good. Thus, the rating for the geographic distribution of the bank's loans is high satisfactory.

Borrowers' Profiles

The bank has a very good record of lending to borrowers of different incomes and to businesses and farms of different sizes. The bank's residential real estate lending to low-income borrowers is good. The bank's lending to moderate-income borrowers is very good. The distribution of small business and small farm loans to entities of different sizes is also very good.

As previously discussed, CRA classifies income levels into four categories: low, moderate, middle, and upper. For purposes of classifying the bank's borrowers, the 1998 and 1999 Minneapolis-St. Paul MSA median family incomes of \$60,800 and \$63,600 were used income levels. The following tables illustrate the distribution of 1998 and 1999 loans by borrower income levels for the PRFE assessment area.

DISTRIBUTION OF LOANS IN THE PRFE ASSESSMENT AREA BY BORROWER INCOME LEVEL*					
<i>1998 Loan Type</i>	<i>Low-Income Borrowers</i>	<i>Moderate-Income Borrowers</i>	<i>Middle-Income Borrowers</i>	<i>Upper-Income Borrowers</i>	<i>Income Not Reported</i>
Residential Real Estate					
Total Number of Loans	14%	28%	38%	20%	-
Total Amount of Loans	9%	24%	40%	26%	1%

*Income level is based on the 1998 median family income of \$60,800 for the Minneapolis-St. Paul MSA.

DISTRIBUTION OF LOANS IN THE PRFE ASSESSMENT AREA BY BORROWER INCOME LEVEL*					
<i>1999 Loan Type</i>	<i>Low-Income Borrowers</i>	<i>Moderate-Income Borrowers</i>	<i>Middle-Income Borrowers</i>	<i>Upper-Income Borrowers</i>	<i>Income Not Reported</i>
Residential Real Estate					
Total Number of Loans	14%	29%	35%	22%	0%
Total Amount of Loans	10%	28%	35%	27%	0%

*Income level is based on the 1998 median family income of \$63,600 for the Minneapolis-St. Paul MSA.

In 1998 and 1999, the bank originated loans to borrowers of all income levels. As previously stated, 27% of the families and 23% of the households in the assessment area have low incomes. Moderate-income families and households represent 19% and 23% of the assessment area's families and households, respectively. Based on this data, the bank's lending to low-income borrowers is low but to moderate-income borrowers is very good. The percentages of loans to low- and moderate-income borrowers exceeded the aggregate reporters' percentages. 1998 HMDA aggregate data show that aggregate reporters originated 9.6% and 26.3% of residential real estate loans to low- and moderate-income borrowers, respectively. Overall, the bank's lending to low- and moderate-income borrowers is good.

The bank is an active commercial and agricultural lender in the PRFE assessment area. Commercial and agricultural lending represent approximately 85% of the bank's lending activity in the PRFE assessment area. The following table shows the 1998 CRA aggregate lenders' data reported for small business and small farm loans in the PRFE assessment area.

1998 CRA AGGREGATE DATA--PRFE ASSESSMENT AREA (Dollar Amounts Expressed in Thousands)					
Loan Type	Loan Amount			Totals	Gross Annual Revenue £\$1 Million
	£\$100,000	>\$100,000 but £\$250,000	>\$250,000		
Small Business					
Number of Loans	241	21	24	286	185
Percentage of Total	84%	7%	9%	100%	65%
Amount of Loans	\$4,815	\$3,219	\$12,354	\$20,388	\$12,596
Percentage of Total	24%	16%	60%	100%	62%
Small Farm					
Number of Loans	107	9	6	122	107
Percentage of Total	88%	7%	5%	100%	88%
Amount of Loans	\$3,252	\$1,377	\$2,460	\$7,089	\$4,229
Percentage of Total	46%	19%	35%	100%	60%

The following tables show the distribution of M&I Community State Bank's small business and small farm loans by number and amount.

1998 BANK DATA					
(Dollar Amounts Expressed in Thousands)					
Loan Type	Loan Amount			Totals	Gross Annual Revenue £\$1 Million
	£\$100,000	>\$100,000 but £\$250,000	>\$250,000		
Small Business					
Number of Loans	38	6	7	51	36
Percentage of Aggregate Total	16%	29%	29%	19%	19%
Amount of Loans	\$1,363	\$935	\$3,227	\$5,525	\$3,386
Percentage of Aggregate Total	28%	29%	26%	27%	27%
Small Farm					
Number of Loans	51	3	3	57	47
Percentage of Aggregate Total	48%	33%	50%	47%	44%
Amount of Loans	\$1,586	\$525	\$1,338	\$3,449	\$1,734
Percentage of Aggregate Total	49%	38%	54%	49%	41%

1999 BANK DATA					
(Dollar Amounts Expressed in Thousands)					
Loan Type	Loan Amount			Totals	Gross Annual Revenue £\$1 Million
	£\$100,000	>\$100,000 but £\$250,000	>\$250,000		
Small Business					
Number of Loans	38	13	15	66	49
Percentage of Total	57%	20%	23%	100%	74%
Amount of Loans	\$1,559	\$2,138	\$7,557	\$11,254	\$7,720
Percentage of Total	14%	19%	67%	100%	69%
Small Farm					
Number of Loans	52	5	3	60	59
Percentage of Total	87%	8%	5%	100%	98%
Amount of Loans	\$1,381	\$713	\$1,044	\$3,138	\$3,113
Percentage of Total	44%	23%	33%	100%	99%

As the tables indicate, the bank actively lends to small businesses in the PRFE assessment area. In the assessment area, approximately 90% of the commercial establishments have gross annual revenues of \$999,999 or less. In 1998, the bank originated 36 small business loans (19% of total aggregate loans reported) to entities with gross annual revenues of \$1 million or less. The 36 loans represented 71% of the bank's small business loans. In 1998, the aggregate lenders extended 65% of small business loans to small entities. In 1999, the bank extended 74% of its small business loans to entities with gross annual revenues of \$1 million or less. The bank's small business lending to entities with gross annual revenues is high and compares favorably with the aggregate lenders' performance.

The bank's small farm lending to entities with gross annual revenues of \$1 million or less is also good. Almost all of the agricultural establishments in the assessment area have gross annual revenues of \$999,999 or less. In 1998, the bank originated 47 small farm loans (44% of total aggregate loans reported) to entities with gross annual revenues of \$1 million or less. These loans represented 82% of the bank's small farm lending. In 1998, the aggregate lenders extended 88% of small farm loans to entities

with gross annual revenues of \$1 million or less. The bank's performance is low compared with the aggregate lenders' performance. In 1999, the bank extended 98% of its small farm loans to entities with gross annual revenues of \$1 million or less.

The bank's level of lending to borrowers of different income levels and businesses and farms of different sizes is good. The bank's level of residential real estate lending to low- and moderate-income borrowers is higher than the level of the other lenders in the assessment area. Use of the bank's NHLP loan program has increased the bank's level of home purchase lending to moderate-income borrowers. The bank's level of lending to small businesses and small farms is also good when compared with the aggregate lending activity in the assessment area.

Investment Test

The bank's level of community development investments in the PRFE assessment area needs to improve. Although the bank owns securities issued by government units, none is considered a qualified investment. The bank donates to organizations that provide community development services in the assessment area.

The bank's qualified donations in the PRFE assessment area mostly support economic development activities. Since the last evaluation, the bank made community development donations of \$3,400. Its donations benefited the following organizations among others: Pierce County Economic Development Corporation, River Falls United Way, and St. Croix Economic Development Corporation. The bank's qualified community development donations in the PRFE assessment area represented approximately 8% of the bank's community development donations.

The bank's level of community development investments and donations is low in the PRFE assessment area. The bank does not hold any community development investments and has made minimal community development donations for an institution of its size. None of the donations were complex or innovative. Thus, the bank's performance under the Investment Test is less than adequate and needs to improve in the PRFE assessment area.

Service Test

The rating of the bank under the Service Test for the PRFE assessment area is high satisfactory. The branch locations, hours of operation, and alternative delivery systems for offices in the assessment area make the bank's services readily accessible to all segments of the community. The delivery of the bank's retail services does not vary in a way that inconveniences low- and moderate-income people or areas.

Retail Banking Services, Changes in Branch Locations, and Business Hours

The bank operates an effective and comprehensive system that delivers retail banking services to residents, businesses, and farms in the PRFE assessment area. Its services reach residents with low and moderate incomes. The bank operates three full-service branches and two ATMs in the assessment area. One of the bank's PRFE assessment area offices is in a moderate-income geography. The branch offices are located throughout the assessment area. The bank offers several additional delivery systems that provide access to its services; these services are detailed in the overall assessment area analyses.

The PRFE assessment office's hours are good. Each of the three offices is open on Saturday. The following table details the branch office hours.

BRANCH OFFICE HOURS				
Office	Lobby		Drive-Up Facility	
	Monday-Friday	Saturday	Monday-Friday	Saturday
River Falls Branch	9:00 a.m. to 4:30 p.m. (6:00 p.m. on Friday)	9:00 a.m. to noon	8:00 a.m. to 5:30 p.m. (6:00 p.m. on Friday)	8:00 a.m. to noon
Prescott Branch	8:30 a.m. to 5:00 p.m. (6:00 p.m. on Friday)	8:00 a.m. to noon	7:00 a.m. to 6:00 p.m. (7:00 p.m. on Friday)	7:00 a.m. to noon
Ellsworth Branch	8:30 a.m. to 4:30 p.m. (5:30 p.m. on Friday)	9:00 a.m. to noon	8:30 a.m. to 5:00 p.m. (6:00 p.m. on Friday)	8:30 a.m. to noon

Overall, the bank's retail banking services offer a variety of delivery options for all of its customers. The availability of free telephone banking enhances the delivery of services to low- and moderate-income individuals. The bank's office in a moderate-income CT contributes significantly to the delivery of services to persons and businesses in the moderate-income areas. Thus, the banks retail banking services and business hours are good.

Community Development Services

The bank's community development services in the PRFE assessment area are adequate. The bank is very supportive of activities that promote the economic and social health of the community; however, many of these activities do not qualify as community development services. The bank's officers and staff perform community development services, the majority of which relate to supporting the economic development of the assessment area by attracting businesses to and fostering business expansion in the area. The bank supports the following economic development organizations:

- Pierce County Economic Development Corporation,
- River Falls Economic Development Corporation,
- St. Croix County Economic Development Corporation, and
- River Falls Main Street Project.

Officers and staff members also participate on the following qualified community development boards and committees:

- Salvation Army
- United Way (various committees targeted to serving low- and moderate-income people)

The bank is actively involved in economic development organizations that serve the assessment area. The bank's participation in community development services is adequate.

Conclusion

The bank's CRA performance in the PRFE assessment area is rated high satisfactory. Performance under the Lending Test is considered high satisfactory based on the bank's adequate lending activity, distribution of loans among geographies of different income levels, and distribution of loans to borrowers of different income levels as well as to businesses and farms of different sizes. In addition, the bank makes use of flexible underwriting standards and loan criteria. The bank's performance under the Investment Test is rated needs to improve in this assessment area. The bank does not have any qualified investments in its investment portfolio, and it makes limited grants and donations that meet the definition

of qualified donations. Finally, the bank's performance under the Service Test is high satisfactory. The bank's branches in the assessment area are readily accessible to all segments of the community.

NONMETROPOLITAN AREA ANALYSIS

Menomonie Assessment Area

Description of Operations

The Menomonie assessment area consists of the eight BNAs in Dunn County and is located between the two MSA assessment areas in west-central Wisconsin. The bank operates one branch and three ATMs in the Menomonie assessment area. According to 1990 census data, the population of the bank's Menomonie assessment area is 35,909. A 1999 survey conducted by Dunn County Sales and Marketing Management showed the population of Dunn County increased by approximately 7.4% to 38,570 between 1990 and 1999.

All of the BNAs in the Menomonie assessment area are classified as middle-income areas. However, one BNA has a median family income that is 80.3% of the nonmetropolitan area median family income, which is very close to the classification for a moderate-income area. This BNA, which is 9701, has a population of 3,600. It has 986 families and 999 owner-occupied household units. BNA 9701 represents 12% of the assessment area's families and owner-occupied household units.

Members of the Menomonie assessment area familiar with housing, small business, and economic development issues and activities were interviewed as part of the CRA evaluation.

Economic conditions in the assessment area are generally good. Dunn County's commercial sector is showing strong growth. This growth is a reflection of the strong national economy, the aggressive economic development policies implemented in the area, and the strong working relationship between state and regional agencies. The community contact indicated that Dunn County continues to suffer from a labor shortage. Area employers reportedly find it difficult to recruit and retain employees. One of the main reasons the labor market is tight is the large number of workers who travel outside of Dunn County for employment. Wages in the Menomonie assessment area are lower than in the nearby metropolitan areas. Agriculture is still a dominant segment of the economy in the assessment area. Most of the farmers in the area have small- to medium-size dairy operations. The largest employer in the assessment area is the University of Wisconsin-Stout. Other major employers in the assessment area include Minnesota Mining & Manufacturing and Hunt Wesson, Inc.

As previously stated, the categorization of a borrower or BNA's income level is determined relative to the statewide nonmetropolitan median family income for a nonmetropolitan area. For 1990, the statewide nonmetropolitan median family income is \$30,290. This figure is used to classify BNA income levels. Borrower income levels are classified based on updated median family income data. The 1998 and 1999 statewide nonmetropolitan median family incomes are \$41,800 and \$44,400, respectively.

According to the 1990 census data, the Menomonie assessment area's median household income is \$24,452, while its median family income is \$29,634. The median household and family incomes for the nonmetropolitan areas of Wisconsin are \$25,322 and \$30,290, respectively. Of the 12,316 households in the assessment area, 25% are classified as low income, 16% as moderate income, 21% as middle income, and 38% as upper income. The income distribution of the Menomonie assessment area's families is 18% low income, 20% moderate income, 24% middle income, and 38% upper income. Approximately 17% of

the households and 9% of the families have incomes below the poverty level. These figures are higher than the comparable figures for Wisconsin's nonmetropolitan area.

The 1990 census data show that the Menomonie assessment area has 13,252 housing units of which approximately 8,234 units are owner-occupied units. The 1999 survey stated that 157 single-family residential building permits and 235 total building permits with a total value of \$18.6 million were issued in 1998.

Conclusions With Respect to Performance Criteria--Menomonie Assessment Area

Lending Test

The bank's CRA performance in the Menomonie assessment area under the Lending Test is rated high satisfactory. Of the 3,353 loans reviewed, the bank originated 389 loans, 12% of the loans sampled, in the Menomonie assessment area. More specifically, it originated 94 small business, 96 small farm, and 199 residential real estate loans in the assessment area. The bank's level of lending shows good responsiveness to community credit needs. Further, the bank's lending shows a good record of serving low- and moderate-income borrowers as well as businesses and farms of different sizes. The community contact did not identify any unmet credit needs in the Menomonie assessment area.

Lending Activity

The bank's lending activity in the Menomonie assessment area is good. The bank is an active lender but is not a leading lender in the assessment area. The Menomonie assessment area office had a December 31, 1999, loan-to-deposit ratio of 95% based on data available from the bank. The bank's loans in the Menomonie assessment area represent 17% of the bank's total loans as of December 31, 1999. The Menomonie branch primarily extends commercial and agricultural loans, which represent approximately 85% of its total loans.

For purposes of the Lending Test, this evaluation is based on 3,353 loans. Of these loans, the bank extended 389 loans, which represent 12% of the loans sampled, in the Menomonie assessment area. During 1998, the bank extended 150 residential real estate, 59 small business, and 45 small farm loans in the assessment area. The comparable figures for 1999 are 49, 35, and 51, respectively. The data show that the bank's residential real estate lending and small business lending decreased significantly and small farm lending increased between 1998 and 1999. The decrease in the bank's residential real estate lending relates to interest rate changes previously discussed in this evaluation. The change in the bank's small business lending probably reflects competitive market factors.

According to the 1998 data, the aggregate lenders extended 377 small business and 261 small farm loans in the Menomonie assessment area. The bank's 1998 small business lending represented approximately 16% of the aggregate small business lending and approximately 17% of the aggregate small farm lending in the Menomonie assessment area. The bank competes with many financial institutions in the Menomonie assessment area. Twenty-two lenders reported extending small business loans in the assessment area in 1998. Three lenders reported extending small farm loans. The bank also competes against lenders that are not required to report CRA data. The community contact indicated that competition among financial institutions in the assessment area is strong.

Based on the bank's level of lending and the competitive banking market in the assessment area, the bank's level of lending indicates a good responsiveness to the community credit needs.

Assessment Area Concentrations

As noted in the discussion of the bank's overall assessment area, the bank makes a substantial majority of its loans within its assessment areas. Since the bank reports HMDA and CRA loans for all offices as a whole, rather than for an individual office, HMDA and CRA data are not useful for assessing the concentration of the bank's loans in an individual assessment area. The data are useful for evaluating the concentration of the institution's lending in the overall assessment area. Refer to the overall assessment area analysis for a discussion of the concentration of the institution's lending in the overall assessment area.

Geographic Distribution of Loans

Overall, the geographic dispersion and distribution of the bank's loans reflect adequate penetration throughout the Menomonie assessment area. As previously discussed, the assessment area is composed of eight BNAs in Dunn County. All of the BNAs are classified as middle income. The bank extended loans in each of the BNAs in the assessment area.

The bank's lending in BNAs 9701 and 9702, which are in the northern section of Dunn County, is limited. BNA 9701 is a middle-income area, but has a median family income that almost qualifies for classification as moderate income. During 1998 and 1999, the bank extended 4% and 3%, respectively, of its loans in BNA 9701, which has approximately 10% of the assessment area's population. The bank's minimal presence in BNAs 9701 and 9702 reflects the distance between the bank and these areas. Also, financial institutions in these BNAs offer more convenient access to residents, businesses, and farms of that part of the assessment area.

Overall, the geographic distribution of the bank's loans is reasonable. The bank's loans are dispersed throughout the assessment area. The bank also extended loans in the one BNA that has a median family income that is close to classification as moderate income. Although the bank's lending in this BNA is low, it is not unreasonable. Thus, the geographic distribution of the bank's loans is reasonable.

Borrowers' Profiles

The bank's level of lending to borrowers of different income levels and to businesses and farms of different sizes in the Menomonie assessment area is adequate. The bank's level of residential real estate lending to low-income borrowers is low but not unreasonable. The bank's residential real estate lending to moderate-income borrowers in 1998 was good but declined in 1999. Overall, the bank's small business lending is reasonable and small farm lending is good.

The distribution of households by income level in the Menomonie assessment area is 25% low income, 16% moderate income, 21% middle income, and 38% upper income. The 1990 census data show low-income families comprise 18%, moderate-income families 20%, middle-income families 24%, and upper-income families 38% of the Menomonie assessment area.

The updated 1998 and 1999 median family incomes for the nonmetropolitan area of Wisconsin are \$41,800 and \$44,400, respectively. These figures are used to classify borrower incomes. The following tables show the percentages of loans that the bank made to borrowers of different income levels.

DISTRIBUTION OF LOANS IN THE MENOMONIE ASSESSMENT AREA BY BORROWER INCOME LEVEL*					
<i>1998 Loan Type</i>	<i>Low-Income Borrowers</i>	<i>Moderate-Income Borrowers</i>	<i>Middle-Income Borrowers</i>	<i>Upper-Income Borrowers</i>	<i>Income Not Reported</i>
<u>Residential Real Estate</u>					
Total Number of Loans	3%	20%	27%	48%	2%
Total Amount of Loans	2%	13%	23%	61%	1%

*Income level is based on the 1998 median family income of \$41,800 for the nonmetropolitan areas of Wisconsin.

DISTRIBUTION OF LOANS IN THE MENOMONIE ASSESSMENT AREA BY BORROWER INCOME LEVEL*					
<i>1999 Loan Type</i>	<i>Low-Income Borrowers</i>	<i>Moderate-Income Borrowers</i>	<i>Middle-Income Borrowers</i>	<i>Upper-Income Borrowers</i>	<i>Income Not Reported</i>
<u>Residential Real Estate</u>					
Total Number of Loans	6%	10%	37%	45%	2%
Total Amount of Loans	4%	7%	37%	50%	2%

*Income level is based on the 1999 median family income of \$44,400 for the nonmetropolitan areas of Wisconsin.

In 1998, the bank originated 3% of its residential real estate loans to low-income borrowers. Its lending to such borrowers increased to 6% in 1999. The bank originated 20% and 10% of its residential real estate loans to moderate-income borrowers in 1998 and 1999, respectively. Compared to the relative representation of low- and moderate-income families and households in the assessment area, the bank's lending to low- and moderate-income borrowers is low. The data show that the bank's lending to moderate-income borrowers was very good in 1998.

For 1998, the bank's percentages of lending to low- and moderate-income borrowers are higher than the aggregate reporters. The bank has 17% of the market share of loans to low-income borrowers and 19% of the market share of loans to moderate-income borrowers.

The housing market in the Menomonie assessment area affects the bank's ability to extend residential real estate loans to low- and moderate-income borrowers. The community contacts indicated that affordable housing is in short supply. Wages are lower in the assessment area than in the surrounding metropolitan areas; however, the wages in the parts of the metropolitan areas near the Menomonie assessment area are not so high as to make housing more affordable to low- and moderate-income people. Median rent in the assessment area is reasonable at \$343. Finally, the competition among financial institutions in the Menomonie area is strong. Given the competition and lack of affordable housing in the area, the bank's level of residential real estate lending to low- and moderate-income borrowers appears to be adequate.

The bank actively lends to businesses and farms of various sizes in the Menomonie assessment area. The following table shows the 1998 CRA aggregate data reported by large banks for small business and small farm loans in the Menomonie assessment area.

1998 CRA AGGREGATE DATA--MENOMONIE ASSESSMENT AREA					
(Dollar Amounts Expressed in Thousands)					
Loan Type	Loan Amount			Totals	Gross Annual Revenue £\$1 Million
	£\$100,000	>\$100,000 but £\$250,000	>\$250,000		
Small Business					
Number of Loans	308	44	25	377	288
Percentage of Total	82%	12%	6%	100%	76%
Amount of Loans	\$8,400	\$7,016	\$12,362	\$27,778	\$16,016
Percentage of Total	30%	25%	45%	100%	58%
Small Farm					
Number of Loans	209	47	5	261	249
Percentage of Total	80%	18%	2%	100%	95%
Amount of Loans	\$6,937	\$7,431	\$1,722	\$16,090	\$14,194
Percentage of Total	43%	46%	11%	100%	88%

The following tables show the bank's small business and small farm loan data by number and dollar amount for 1998 and 1999.

1998 DISTRIBUTION OF SMALL BUSINESS AND SMALL FARM LOANS BY LOAN SIZE					
Loan Type	Loan Amount			Totals	Gross Annual Revenue £\$1 Million
	£\$100,000	>\$100,000 but £\$250,000	>\$250,000		
Small Business					
Number of Loans	37	13	9	59	40
Percentage of Total	63%	22%	15%	100%	68%
Amount of Loans	\$1,588	\$2,109	\$4,110	\$7,807	\$3,957
Percentage of Total	20%	27%	53%	100%	51%
Small Farm					
Number of Loans	36	9	0	45	42
Percentage of Total	80%	20%	0%	100%	93%
Amount of Loans	\$1,273	\$1,616	\$0	\$2,889	\$2,240
Percentage of Total	44%	56%	0%	100%	76%

1999 DISTRIBUTION OF SMALL BUSINESS AND SMALL FARM LOANS BY LOAN SIZE					
Loan Type	Loan Amount			Totals	Gross Annual Revenue £\$1 Million
	£\$100,000	>\$100,000 but £\$250,000	>\$250,000		
Small Business					
Number of Loans	19	9	7	35	22
Percentage of Total	54%	26%	20%	100%	63%
Amount of Loans	\$830	\$1,901	\$3,508	\$6,239	\$3,082
Percentage of Total	13%	31%	56%	100%	49%
Small Farm					
Number of Loans	40	7	4	51	49
Percentage of Total	78%	14%	8%	100%	96%
Amount of Loans	\$1,249	\$870	\$1,587	\$3,706	\$2,743
Percentage of Total	34%	23%	43%	100%	74%

The bank actively extends small business and small farm loans to entities with gross annual revenues of \$1 million or less. According to Dun & Bradstreet data for July 1998, almost all of the commercial and agricultural establishments in the Menomonie assessment area have gross annual revenues of \$999,999 or

less. According to the data, 90% of the commercial establishments and 98% of the agricultural establishments are small entities. In 1998, 68% of the number and 51% of the dollar amount of the bank's small business loans were to businesses with gross annual revenues of \$1 million or less. In 1999, the bank extended 63% of the number and 49% of the dollar amount of small business loans to businesses with gross annual revenues of \$1 million or less. In 1998, the aggregate lenders extended 76% of the number and 58% of the dollar amount of small business loans to small entities. In 1998, the bank extended relatively fewer small business loans to small entities than the aggregate lenders.

The bank extends a majority of its small business loans for amounts of \$100,000 or less. The table shows that bank extended 63% and 54% of its small business loans for amounts of \$100,000 or less during 1998 and 1999, respectively. In 1998, the aggregate lenders reported extending 82% of small business loans for amounts of \$100,000 or less. Again, the bank's performance is lower than that aggregate lenders' performance.

The bank extends almost all of its small farm loans to entities with gross annual revenues of \$1 million or less. In 1998 and 1999, these loans represented 93% and 96% of the bank's small farm lending, respectively. In 1998, the aggregate lenders extended 95% of small farm loans to small entities. The bank's performance is slightly lower than the aggregate lenders' performance.

As with small business loans, the bank extends a majority of its small farm loans for amounts of \$100,000 or less. In 1998 and 1999, such loans represented 80% and 78% of the bank's small farm loans, respectively. In 1998, the aggregate lenders reported extending 80% of small farm loans for amounts of \$100,000 or less. The bank's performance matched the aggregate lenders' performance.

The bank's level of lending to borrowers of different income levels and to businesses and farms of different sizes is adequate. The bank's low level of real estate lending to low-income borrowers is not unreasonable given the lack of affordable housing. The bank's small business lending is reasonable in the assessment area. In addition, the bank's small farm lending is good. Thus, the distribution of the bank's lending by borrower income level as well as business and farm size is adequate.

Investment Test

The bank's level of community development investments in the Menomonie assessment area needs to improve. Although the bank owns securities issued by government units, none is considered a qualified investment. Bank management indicated that opportunities for qualified investments in the nonmetropolitan assessment area are generally not available. The bank donates to organizations that provide community development services in the assessment area.

The bank's qualified donations in the Menomonie assessment area mostly support economic development activities. Since the last evaluation, the bank made community development donations of \$6,725. Its donations benefited the following organizations among others: Western Dairyland, Greater Menomonie Area Economic Development Corporation, and Menomonie Area Community Foundation. The bank's qualified community development donations in the Menomonie assessment area represented approximately 16% of the bank's community development donations.

The bank's level of community development investments and donations is low in the Menomonie assessment area. The bank does not hold any community development investments and has made minimal community development donations for an institution of its size. None of the donations were complex or innovative. Thus, the bank's performance under the Investment Test is less than adequate and needs to improve in the Menomonie assessment area.

Service Test

The bank's performance under the Service Test in the Menomonie assessment area is rated high satisfactory. The bank's branch office locations, hours of operation, and alternative delivery systems provide convenient customer access to the bank's products and services.

Retail Banking Services, Changes in Branch Locations, and Business Hours

The bank operates an effective and comprehensive system that delivers retail banking services to residents, businesses, and farms in the Menomonie assessment area. Its services reach residents with low and moderate incomes. The bank operates one full-service branch and three ATMs in the Menomonie assessment area. The branch office is centrally located in the assessment area. The bank offers several additional delivery systems that provide access to its services; these services are detailed in the overall assessment area analyses.

To accommodate the needs of local residents, businesses, and farms, the bank has established office hours that are appropriate for the community. More specifically, the Menomonie office's lobby hours are 9:00 a.m. to 4:00 p.m. on Monday through Thursday and 9:00 a.m. to 5:00 p.m. on Friday. The office's drive-up hours are 8:30 a.m. to 5:00 p.m. Monday through Wednesday and 8:30 a.m. to 5:30 p.m. on Thursday and Friday. The office's drive-up is open on Saturday from 9:00 a.m. to noon.

Overall, the bank's retail banking services offer a variety of delivery options for all of its customers. The availability of free telephone banking enhances the delivery of services to low- and moderate-income individuals. Thus, the bank's retail services and business hours are good.

Community Development Services

The bank's community development service activities in the Menomonie assessment area are good. The bank is very supportive of activities that promote the economic and social health of the community; however, many of the activities do not qualify as community development services. The bank has engaged in community development services that benefit the Menomonie assessment area.

M&I Community State Bank's officers and staff are very committed to providing community services. The Menomonie branch officers and staff have performed a high level of qualified community development services with the following organizations since the previous evaluation:

- Dunn County Economic Development Corporation
- City of Menomonie - Revolving Loan Committee
- Greater Menomonie Area Development Corporation
- Momentum Chippewa Valley Economic Development
- Western Wisconsin Development Corporation
- Salvation Army

The bank's community development services primarily focus on the assessment area's economic development. The bank's representatives participate in many, if not all, of the economic development corporations in the assessment area. Thus, the bank's level of community development services is highly satisfactory in the Menomonie assessment area.

Conclusion

Based on the criteria outlined above, the bank's performance in the Menomonie assessment area is satisfactory. Performance under the Lending Test is considered low satisfactory based on M&I Community State Bank's good responsiveness to credit needs, adequate distribution of loans among borrowers of different incomes and to businesses of different sizes, and reasonable distribution of loans throughout the geographies. In addition, the bank's use of flexible loan products increased the availability of credit to low- and moderate-income individuals. Performance under the Investment Test is needs to improve based on the lack of qualified investment and minimal donation activity in the assessment area. Finally, the bank's performance under the Service Test is considered high satisfactory based on the accessibility of services, good use of alternative delivery systems, and high level of community development services.

GENERAL

The bank has not received any CRA-related complaints since the last evaluation. The evaluation did not reveal any credit practices in violation of the substantive provisions of the fair housing laws and regulations. The evaluation revealed violations of the data collection and reporting provisions of Regulation BB--Community Reinvestment Act regarding the 1998 loan amounts reported for some small business and small farm refinancings and lines of credits. These errors may affect the integrity of the data and the evaluation of the 1998 small business and small farm analysis. Bank management promised prompt corrective action to correct these exceptions.

APPENDIX A

Scope of Examination			
<p>As of the evaluation date, the bank operated ten full-service offices and one paying-and-receiving office in the overall assessment area. Based on the locations of the offices and its lending territories, the bank has three assessment areas. The Eau Claire assessment area has six offices, one paying-and-receiving office, and six ATMs. This assessment area includes the bank's main office and is in the Eau Claire MSA. The PRFE assessment area has three offices and three ATMs. This assessment area is a portion of the Minneapolis-St. Paul MSA. The bank has one branch and three ATMs in the Menomonie assessment area, which is Dunn County. For purposes of this evaluation, examiners reviewed the bank's CRA performance in the following assessment areas: Eau Claire, PRFE, and Menomonie.</p>			
Time Period Reviewed	<p>We reviewed the bank's CRA performance based on its activities since the last evaluation, dated May 11, 1998. The loan data reflected in the evaluation is based on small business and small farm loans originated in 1998 and 1999. The residential real estate loan data is based on loans originated from April 1, 1998, through December 31, 1999.</p>		
Financial Institution			Products Reviewed
M&I Community State Bank Eau Claire, Wisconsin			Small Business Small Farm Residential Real Estate
Affiliate(s)			
Not applicable			
List of Assessment Areas and Type of Examination			
Assessment Area	Type of Examination	Branches Visited	Other Information
MSA Assessment Areas			
Eau Claire Assessment Area	Full Scope Full Scope	Downtown Eau Claire Chippewa Falls	
PRFE Assessment Area	Full Scope	The bank's performance in this assessment area was reviewed off site.	
Nonmetropolitan Area Assessment Area			
Menomonie Assessment Area	Full Scope	Downtown Menomonie	