PUBLIC DISCLOSURE

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COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Southwest Bank, an M&I Bank
RSSD#543253

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St. Louis, Missouri 63111

Federal Reserve Bank of St. Louis
P.O. Box 442
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NOTE: **This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

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INSTITUTION RATING

INSTITUTION'S CRA RATING: **Southwest Bank, an M&I Bank** is rated "**Outstanding**."

The following table indicates the performance level of Southwest Bank, an M&I Bank *with respect to the lending, investment, and service tests.*

PERFORMANCE LEVELS	SOUTHWEST BANK, AN M&I BANK		
	PERFORMANCE TESTS		
	Lending Test*	**Investment Test**	**Service Test**
Outstanding	**X**	**X**	
High Satisfactory			**X**
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

*Note: The lending test is weighted more heavily than the investment and service tests in determining the overall rating.

Major factors supporting the institution's rating include:

- A substantial majority of the loans originated were located inside the bank's assessment area.

- The geographic distribution of loans reflects excellent penetration throughout the assessment area, including low-to-moderate income (LMI) geographies.

- The distribution of loans to LMI borrowers and to small business entities reflects adequate penetration among customers of different income levels and businesses of different revenue sizes.

- The bank is a leader in the origination of community development loans.

- The bank has an excellent level of qualified community development investments, grants, and donations.

- The bank provides a relatively high level of community development services.

SCOPE OF EXAMINATION

The bank's Community Reinvestment Act (CRA) performance was reviewed using the Federal Financial Institutions' Examination Council's (FFIEC) *Interagency CRA Procedures for Large Institutions*. The large bank performance standards entail three performance tests, including the lending, investment, and services tests.

Lending Test

An evaluation of the bank's lending performance was made using data compiled under the CRA and Home Mortgage Disclosure Act (HMDA) from January 1, 2007, through December 31, 2008. For this examination, the review of CRA data was limited to an evaluation of small business loans.[1] HMDA data includes home purchase, home improvement, refinance, and multifamily housing loans. In total, these loan products comprise the bank's primary lines of business and are, therefore, indicative of the bank's overall lending performance. This data was used to evaluate the bank's lending volume, lending within the bank's assessment area, geographic distribution of loans among areas with different income characteristics, distribution of lending by borrower income and business revenues, and community development lending.

Throughout this evaluation, the lending test entailed comparisons of lending performance to relevant demographic and aggregate lending data. The bank's lending performance for HMDA and CRA lending activity was compared with institutions that extended HMDA and CRA loans within its assessment area. Specifically, the review included a comparison of the bank's 2007 lending performance to the 2007 aggregate lending data of all other financial institutions (referred to as aggregate lenders) that report HMDA and CRA loan data within the bank's assessment area.[2] For 2008 loans, the bank's performance was not compared to aggregate lending data since the final aggregate lending numbers have not been released. The aggregate lending data was used in the evaluation of the geographic distribution of loans, the borrower income distribution, and the level of lending to small businesses. The evaluation also used 2007 and 2008 Dun & Bradstreet data as a comparison for small business lending.[3]

Nine community contacts were conducted in order to establish a context for the communities in which the bank operates and to solicit information on the bank's performance.

Investment Test

All outstanding qualified investments from January 1, 2007, through December 31, 2008, were reviewed and evaluated to determine the bank's use of innovative or complex investments, as well as its responsiveness to the credit and community development needs of its assessment area.

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[1] Small business loans are loans that are made to entities with gross annual revenues of less than or equal to $1 million.

[2] HMDA aggregate data represent all lending activity collected and reported under HMDA for the assessment area, based upon all financial institutions required to report such data. CRA aggregate data represent all lending activity collected and reported under CRA for the assessment area, based upon all financial institutions required to report such data.

[3] Dun & Bradstreet provides data on the location and revenue size of business and agricultural entities within a defined market.

The test includes qualified investments, donations, and grants made by the bank (and its affiliated community development corporation and foundation) since the previous examination.

Service Test

The service test considers the distribution and accessibility of the bank's branches, whether alternative delivery systems are available for its services, the reasonableness of hours of operation, the effect of opening or closing bank branches, and community development services. Community development services included services provided from January 1, 2007, through December 31, 2008.

DESCRIPTION OF INSTITUTION

Southwest Bank, an M&I Bank (Southwest Bank) is a wholly-owned subsidiary of the Marshall & Ilsley Corporation (M&I), a multi-bank holding company headquartered in Milwaukee, Wisconsin. Southwest Bank is a full-service community bank that focuses primarily on extending commercial loans to the middle market, often owner-operated companies. In addition to its commercial lending, the bank offers mortgage and consumer loans as well as an array of deposit products.

Currently, the bank maintains 17 full-service banking facilities, including the main office. None of the branches are located in low-income geographies, while there are three branches in moderate-income geographies, six branches in middle-income geographies, and eight branches in upper-income geographies. One of the branches is located in St. Clair County, Illinois. The other branches are located in Missouri, with one located in Jefferson County, two in St. Charles County, four in the city of St. Louis, and nine in St. Louis County. Each location has an automated teller machine (ATM) and one branch has two ATMs, for a total of 18 ATMs.

Southwest Bank has the ability to meet the credit needs of its assessment area based on the bank's asset size, financial condition, and other resources. As of December 31, 2008, the bank reported total assets of $6.1 billion. As of the same date, loans and leases outstanding were $3.3 billion (54.1 percent of total assets), and deposits totaled $5.1 billion. According to the June 30, 2008[4] Federal Deposit Insurance Corporation (FDIC) market share report, Southwest Bank had 7.9 percent of the deposit market share, ranking it third out of 145 FDIC-insured institutions operating in the St. Louis MSA.

The bank's loan portfolio composition by credit category is displayed in the following table.[5]

[4] The June 30, 2009 market share data has not yet been released.

[5] For purpose of this table, total loan information is derived from gross loans and leases data reported on the Consolidated Report of Condition and Income as of December 31, 2008.

Distribution of Total Loans[6]		
Credit Product Type	**Amount in $000s**	**Percentage of Total Loans**
Construction and Development	$314,895	9.4%
Commercial Real Estate	775,865	23.2%
Multifamily Residential	64,695	1.9%
1-4 Family Residential RE Construction	46,086	1.4%
1-4 Family Residential – Revolving	79,040	2.4%
1-4 Family Residential – First Lien	206,948	6.2%
1-4 Family Residential – Junior Lien	26,452	0.8%
Farmland	2,281	0.1%
Agricultural	0	0.0%
Commercial and Industrial	1,587,716	47.4%
Loans to Individuals	38,613	1.2%
Total Other Loans	206,790	6.2%
TOTAL Gross Loans	**$3,349,381**	**100%**

As indicated in the table above, a significant portion of the bank's lending resources is concentrated in commercial and industrial loans (47.4 percent), loans secured by commercial real estate (23.2 percent), construction and development (9.4 percent), and loans secured by 1-4 family residential properties (7.1 percent).

The bank received an Outstanding rating at its previous CRA evaluation conducted on October 29, 2007, by the Federal Reserve Bank of St. Louis using large bank evaluation procedures.

[6] Any percentage row or column "TOTAL" figure displayed throughout this evaluation that does not equal exactly 100 percent is strictly due to rounding differences, which are considered immaterial to overall performance conclusions.

DESCRIPTION OF ASSESSMENT AREA[7]

Southwest Bank has delineated one assessment area consisting of 430 census tracts. The assessment area contains all of the geographies in St. Louis County (173 census tracts); Jefferson County (32 census tracts); St. Charles County (57 census tracts); and St. Louis City (113 census tracts), on the Missouri side of the Mississippi River; the assessment area also includes St. Clair County (55 census tracts) on the Illinois side of the river. These areas comprise a portion of the St. Louis, Missouri–Illinois multi-state metropolitan statistical area (St. Louis MSA). The bank's assessment area has changed since the previous examination. For the 2007 evaluation, the bank's assessment area did not include St. Charles County, Missouri. However, the bank opened two branches in St. Charles County in 2007, so the county has been added to the bank's assessment area for the current evaluation.

Based on 2000 census data, the total population of the assessment area was 2,102,568. St. Louis County accounts for approximately 48.3 percent of the total population of the assessment area, with St. Louis City, St. Charles County, St. Clair County, and Jefferson County having 16.6, 13.5, 12.2, and 9.4 percent of the population, respectively. The following table reflects the number and population of geographies in each income category[8] for the bank's assessment area.

Assessment Area Geographical Information by Income Category						
2000 Census Data	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Assessment Area Geographies	53 12.3%	98 22.8%	170 39.5%	105 24.4%	4 0.9%	**430** **100%**
Family Population	33,149 6.0%	101,358 18.4%	249,806 45.4%	165,945 30.2%	0 0.0%	**550,258** **100%**

As the table above indicates, 35.1 percent of the census tracts in the bank's assessment area are categorized as LMI, with 24.4 percent of the family population residing in these tracts.

Based on 2000 census data, the median family income for the assessment area was $54,951. The following table displays population percentages of assessment area families by income level, compared to the population of the entire states of Illinois and Missouri, and that of the entire St. Louis MSA.

[7] Unless otherwise noted, demographic data reflected in this evaluation is derived from census data collected and reported for the year 2000.
[8] See the glossary in Appendix C for the definitions of the low-, moderate-, middle-, and upper-income categories.

Assessment Area Family Population by Income Level					
2000 Census Data	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**TOTAL**
Assessment Area	104,883 19.1%	96,929 17.6%	120,173 21.8%	228,273 41.5%	**550,258** **100%**
State of Illinois	621,842 19.9%	566,466 18.1%	713,958 22.8%	1,223,052 39.1%	**3,125,318** **100%**
State of Missouri	283,057 19.0%	278,617 18.7%	344,928 23.2%	579,944 39.0%	**1,486,546** **100%**
St. Louis, MO-IL MSA #41180	137,988 19.4%	131,220 18.4%	161,155 22.6%	282,274 39.6%	**712,637** **100%**

The assessment area family population by income distribution is similar to that of the St. Louis-state MSA, the state of Missouri, and the state of Illinois. According to 2000 census data, 36.7 percent of the assessment area's family population is considered LMI. This is comparable to the LMI family population in the state of Missouri, the state of Illinois, and the multi-state MSA, which are 37.7, 38.0, and 37.8 percent, respectively.

The Department of Housing and Urban Development (HUD) estimated the 2008 median family income for the St. Louis MSA to be $65,000, while the 2007 median family income figure was $63,300. However, there are significant differences in terms of the median family incomes within the assessment area. The median family income for St. Charles and St. Louis counties were $77,411 and $72,563, respectively, while the median family income for Jefferson County, St. Clair County, and St. Louis City were $63,037, $57,952, and $40,536,[9] respectively. In addition, 20.8 percent of the families in St. Louis City are below the poverty line, while only 2.8, 4.9, 5.0, and 11.8 percent are below the poverty threshold for St. Charles County, Jefferson County, St. Louis County, and St. Clair County, respectively.

In terms of housing units, there are 885,649 housing units in the assessment area; 65.1 percent of these are owner occupied, 27.6 percent are renter occupied, and 7.3 percent are vacant. Housing in the St. Louis MSA was not immune to the nationwide housing crisis. According to the National Association of Realtors, the median sales price of single-family homes in the St. Louis MSA dropped from $148,400 in 2006 to $133,200 in 2008, which was a 10.2 percent decrease. The housing market has continued to deteriorate in early 2009, and home prices have continued to drop while foreclosures continue to rise.

[9] These figures reflect statistics from the United States Census Bureau's American Community Survey Three-Year Estimates, which was conducted between January 2005 and December 2007.

According to the Federal Reserve's *Beige Book* that was released in December 2008, business conditions in the Eighth District, which includes the St. Louis MSA, have continued to weaken. Retail and auto sales in October and early November 2008 were down, on average, compared with prior year levels. Manufacturing experienced significant declines, but the services sector improved slightly. Residential real estate activity decreased, while commercial real estate was mixed. Banks reported tightening in credit standards and weaker demand for loans during the three-month period ending in October 2008.

The St. Louis region has a broad-based economy. Top industries are trade, transportation, and utilities (19.3 percent of all employees), government (16.1 percent), education and health services (13.3 percent), and professional and business services (13.0 percent). The region has become a hub for plant and life sciences industries, as well as an important center for advanced manufacturing, information technology, transportation and distribution, and financial services. There is above average employment in telecommunications; data processing; and physical, engineering, and biological research services. Higher education institutions also have a high concentration of employment.

St. Louis is the headquarters for 21 Fortune 1000 companies, nine of which are Fortune 500, and home to some of the country's largest privately held companies. The largest employers include BJC Healthcare, Boeing Integrated Defense Systems, Schnucks Markets, Inc., SSM Health Care, Scott Air Force Base, U.S. Postal Service, Washington University, and Wal-Mart.

The assessment area had an affordability ratio[10] of 44.0 percent as of 2000 census data. Housing is slightly more affordable in St. Clair County, which has an affordability ratio of 52.0 percent, as opposed to Jefferson County, St. Louis County, St. Charles County, and St. Louis City, which were 49.0, 44.0, 46.0, and 42.0 percent, respectively. Similarly, median gross rent was $534 in the assessment area, but the median gross rent for the city of St. Louis was $442, as opposed to Jefferson County, St. Clair County, St. Louis County, and St. Charles County, where median gross rents were $502, $503, $601, and $624, respectively. Median gross rents for the states of Missouri and Illinois were $484 and $605, respectively.

Unemployment rates have risen steadily since the previous examination in 2007 and continue to rise. At that time, the 2006 annualized unemployment rate for the St. Louis MSA was 5.1 percent. The 2008 annualized unemployment rate for the St. Louis MSA was 6.6 percent. For the same period, the unemployment rates for the statewide areas of Missouri and Illinois were similar, shown to be 6.6 and 6.5 percent, respectively. As of January 2009, the unemployment rate had risen to 9.1 percent for the St. Louis MSA. The statewide unemployment rates for Missouri and Illinois were slightly lower for this same period, shown to be 8.7 and 8.5 percent, respectively.[11] According to the Missouri Department of Economic Development, unemployment in the MSA tends to be highest in the City of St. Louis at 11.4 percent and lowest in St. Charles County at 8.7 percent. Major downsizings included such companies as AG Edwards/Wachovia, Ford, Chrysler, General Motors, and Anheuser-Busch. While most industry

[10] This figure is calculated by dividing the median household income by the median housing value; it represents the amount of single family, owner-occupied housing that a dollar of income can purchase for the median household in the census tract. Values closer to 100 percent indicate greater affordability.
[11] Unemployment figures from the Bureau of Labor Statistics; this data is not seasonally adjusted.

sectors experienced an employment drop between 2007 and 2008, the education and health services sector and the government sector continued to expand.

CONCLUSIONS WITH RESPECT TO THE PERFORMANCE TESTS

LENDING TEST

Southwest Bank's performance under the lending test is rated Outstanding. For the loans reviewed, the bank made a substantial majority of its loans within its assessment area. The geographic distribution of loans reflected an excellent penetration throughout the assessment area, with particular emphasis placed on LMI geographies. The review of the bank's borrower distribution reflected adequate penetration among borrowers of different income levels and among businesses of various sizes. In addition, the bank was a leader in making community development loans within the assessment area.

Lending Activity

Lending levels reflect outstanding responsiveness in relation to the credit needs of its assessment area. The bank's performance under the lending test was evaluated using 2007 and 2008 HMDA data, as well as 2007 and 2008 data for small business loans. As mentioned before, these loan categories are considered the bank's primary lines of business and are therefore indicative of the overall lending performance of the bank. The following table displays the HMDA and CRA loan originations for 2007 and 2008.

Loan Type	Number of Loans	% of Total Loans	Amount of Loans (000s)	% of Total Loans
Home Improvement	49	--	$10,500	--
Home Purchase	475	--	$89,771	--
Multi-Family Housing	65	--	$48,626	--
Refinancing	477	--	$94,038	--
Total HMDA related	**1,066**	**26.6%**	**$242,935**	**22.8%**
Small Business	2,939	--	$823,257	--
Total Small Business related	**2,939**	**73.4%**	**$823,257**	**77.2%**
TOTAL LOANS	**4,005**	**100%**	**$1,066,192**	**100%**

Assessment Area Concentration

For the loan activity reviewed as part of this evaluation, the following table displays the number and dollar volume of loans inside the bank's assessment area.

Lending Inside and Outside of Assessment Area			
Loan Type	**Inside Assessment Area**	**Outside Assessment Area**	**TOTAL**
2007/2008 HMDA	934	132	**1,066**
	87.6%	12.4%	**100%**
	$ 200,862	$ 42,073	**$ 242,935**
	82.7%	17.3%	**100%**
2007/2008 Small Business	2,546	393	**2,939**
	86.6%	13.4%	**100%**
	$ 681,168	$ 142,089	**$ 823,257**
	82.7%	17.3%	**100%**
TOTAL	**3,480**	**525**	**4,005**
	86.9%	**13.1%**	**100%**
	$ 882,030	**$ 184,162**	**$ 1,066,192**
	82.7%	**17.3%**	**100%**

The above table demonstrates that a substantial majority of loans were extended to borrowers residing inside the bank's assessment area. By number, 86.9 percent of the bank's total loans were made inside the assessment area. By dollar amount, 82.7 percent of the loans were made inside the assessment area. A further breakdown by loan type revealed that by number, 87.6 percent of the bank's HMDA loans (82.7 percent by dollar amount) were made in the bank's assessment area. For CRA small business loans, 86.6 percent by number (82.7 percent by dollar amount) were made in the bank's assessment area. Based on the data above, the bank's lending practices under this performance criterion meet the standard for outstanding performance.

<u>Geographic Distribution of Loans</u>

As noted in the description of the bank's assessment area, the bank's assessment area contains 53 low-income geographies and 98 moderate-income geographies. The following table displays the geographic distribution of Southwest Bank's 2007 HMDA data, in comparison to owner-occupied housing statistics for the assessment area.

Distribution of Loans (Number and Dollar Volume in $000s) Inside Assessment Area by Income Level of Geography						
Loan Type	**Geography Income Classification**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
2007 HMDA	36	100	172	202	0	**510**
	7.1%	19.6%	33.7%	39.6%	0.0%	**100%**
	$ 3,824	$ 14,468	$ 25,299	$ 58,886	$ 0	**$ 102,477**
	3.7%	14.1%	24.7%	57.5%	0.0%	**100%**
Owner-Occupied Housing	3.7%	16.4%	47.8%	32.1%	0.0%	**100%**

As illustrated in the table above, the bank's penetration of HMDA loans in LMI census tracts represents 26.7 percent of lending by number and 17.8 percent by dollar amount. In comparison, 20.1 percent of the owner-occupied housing units are located in LMI census tracts. The bank's lending performance also compares very favorably to 2007 HMDA aggregate data[12] for the assessment area, which indicates that 18.9 percent by number and 12.6 percent by dollar amount of all HMDA loans originated were to applicants residing in LMI census tracts. The bank exhibited excellent performance in originating 2007 HMDA loans throughout all census tracts, especially LMI geographies.

[12] HMDA aggregate data represents all lending activity collected and reported under the HMDA for this assessment area based upon all financial institutions required to report such data (less the subject bank if applicable).

Distribution of Loans (Number and Dollar Volume in $000s) Inside Assessment Area by Income Level of Geography						
Loan Type	**Geography Income Classification**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
2008 HMDA	26	100	145	153	0	**424**
	6.1%	23.6%	34.2%	36.1%	0.0%	**100%**
	$ 5,274	$ 21,010	$ 24,570	$ 47,531	$ 0	**$ 98,385**
	5.4%	21.4%	25.0%	48.3%	0.0%	**100%**
Owner-Occupied Housing	3.7%	16.4%	47.8%	32.1%	0.0%	**100%**

Similar to the 2007 HMDA data, the bank's penetration of 2008 HMDA loans in LMI census tracts represents 29.7 percent of lending by number and 26.8 percent by dollar amount. In comparison, 20.1 percent of the owner-occupied housing units are located in LMI census tracts. The bank exhibited excellent performance in originating 2008 HMDA loans throughout all census tracts, especially LMI geographies. It should also be noted that the geographic distribution of 2008 HMDA loans exceeded the bank's performance for 2007 HMDA loans, despite economic conditions that continued to deteriorate during that time.

Similarly, the geographic distribution of small business loans reflects favorable CRA performance, as displayed in the following table.

Distribution of Loans (Number and Dollar Volume in $000s) Inside Assessment Area by Income Level of Geography						
Loan Type	**Geography Income Classification**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
2007 Small Business	83	221	558	499	17	**1,378**
	6.0%	16.0%	40.5%	36.2%	1.2%	**100%**
	$ 20,831	$ 64,723	$ 148,605	$ 128,956	$ 6,757	**$ 369,872**
	5.6%	17.5%	40.2%	34.9%	1.8%	**100%**
Business Institutions	5.6%	17.5%	42.1%	34.3%	0.4%	**100%**

The geographic distribution of 2007 small business loans was reasonable. As displayed in the table above, the bank made 22.0 percent of its business loans by number and 23.1 percent by dollar in LMI census tracts. According to Dun & Bradstreet data, 23.1 percent of the businesses are located in LMI census tracts. Further, the bank's lending performance appears good in light of market performance of peer banks for the assessment area. The 2007 CRA aggregate data indicates that 16.6 percent of all small business loans by number and 17.7 percent by dollar made within the assessment area were located in LMI census tracts. While the bank's lending compares favorably to the Dun & Bradstreet data and is very favorable in light of the aggregate data, it should also be noted that since the previous examination, the bank has increased its level of lending to small businesses located in LMI census tracts despite a decrease in the number of businesses in LMI census tracts, as reported by Dun & Bradstreet.

Distribution of Loans (Number and Dollar Volume in $000s) Inside Assessment Area by Income Level of Geography						
Loan Type	**Geography Income Classification**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
2008 Small Business	59	194	443	461	11	**1,168**
	5.1%	16.6%	37.9%	39.5%	0.9%	**100%**
	$ 17,440	$ 49,264	$ 112,879	$ 127,945	$ 3,768	**$ 311,296**
	5.6%	15.8%	36.3%	41.1%	1.2%	**100%**
Business Institutions	5.6%	17.5%	42.1%	34.3%	0.4%	**100%**

The geographic distribution of 2008 small business loans was reasonable. Similar to the 2007 CRA data, the bank made 21.7 percent of its 2008 business loans by number and 21.4 percent by dollar in LMI census tracts. This compares favorably with the Dun & Bradstreet data, which indicate 23.1 percent of businesses are located in LMI census tracts. Consequently, the geographic distribution of loans based upon the small business category reflects satisfactory penetration throughout the assessment area.

Overall, based on the two products reviewed, the bank meets the standard for outstanding performance under the geographic distribution criterion.

<u>Lending to Borrowers of Different Income Levels and to Businesses of Different Revenue Sizes</u>

For this performance criterion, the bank's HMDA loans were analyzed to determine the reasonableness of lending to borrowers of different income levels within the overall assessment area. The following table shows the distribution of 2007 HMDA loans by income level of the borrower.

Distribution of Loans (Number and Dollar Volume) Inside Assessment Area by Income Level of Borrower

Loan Type	Borrower Income Classification					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
2007 HMDA	31	54	48	197	180	**510**
	6.1%	10.6%	9.4%	38.6%	35.3%	**100%**
	$ 3,320	$ 5,159	$ 6,580	$ 54,454	$ 32,964	**$ 102,477**
	3.2%	5.0%	6.4%	53.1%	32.2%	**100%**
Family Population	19.1%	17.6%	21.8%	41.5%	0.0%	**100%**

The bank's lending reflects adequate penetration among customers of different incomes. As shown in the previous table, 16.7 percent by number and 8.2 percent by dollar of the HMDA-loans were extended to LMI borrowers, which is below the percentage of LMI families in the assessment area of 36.7 percent. When comparing this level of lending to the aggregate 2007 HMDA data, the bank also falls below the aggregate lending level of 27.5 percent by number and 17.7 percent by dollar volume. However, as was discussed earlier, Southwest Bank's major business lines are commercial and industrial and commercial real estate loans (comprising 70.6 percent of the loan portfolio). It should be noted that 180 of the sampled loans (35.3 percent) were categorized as "Income Not Reported." The majority of these loans were to real estate investment businesses that are not required to report income for HMDA purposes. If these 180 loans are eliminated from the analysis, the adjusted percentage of loans to LMI borrowers is 25.8 percent by number and 12.2 percent by dollar volume, which more closely approximates the LMI family population and the HMDA aggregate data.

Distribution of Loans (Number and Dollar Volume) Inside Assessment Area by Income Level of Borrower						
Loan Type	**Borrower Income Classification**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
2008 HMDA	20	50	44	125	185	**424**
	4.7%	11.8%	10.4%	29.5%	43.6%	**100%**
	$ 1,525	$ 5,455	$ 5,876	$ 36,609	$ 48,920	**$ 98,385**
	1.6%	5.5%	6.0%	37.2%	49.7%	**100%**
Family Population	19.1%	17.6%	21.8%	41.5%	0.0%	**100%**

Similar to the discussion for the 2007 HMDA data, the bank's 2008 lending reflects adequate penetration among customers of different incomes. As shown in the table above, 16.5 percent by number and 7.1 percent by dollar of the HMDA loans were extended to LMI borrowers, which is below the percentage of LMI families in the assessment area of 36.7 percent. However, as discussed for year 2007 data, 185 sampled loans (43.6 percent by volume) were categorized as "Income Not Reported." Again, the majority of these loans were to real estate investment businesses that are not required to report income for HMDA purposes. If these 185 loans are eliminated from the analysis, the adjusted percentage of loans to LMI borrowers is 29.3 percent by number and 14.1 percent by dollar volume, which more closely approximates the distribution of LMI families.

A sample of commercial loans was reviewed to determine the bank's lending level to small business entities. The sample of loans was analyzed by the gross annual revenue of the business and by the loan amount. To measure the bank's performance for small business lending, 2007 and 2008 Dun & Bradstreet data and 2007 aggregate lending statistics were used for comparison.

The following table reflects the bank's distribution of business loans by gross annual revenue and loan amount.

Lending Distribution by Business Revenue Level (2007)				
Gross Revenue	**Loan Origination Amount (in $000s)**			**TOTAL**
	≤$100	**>$100≤$250**	**>$250≤$1,000**	
$1 Million or Less	276 22.3%	147 11.9%	165 13.3%	**588** **47.5%**
Greater Than $1 Million	161 13.0%	166 13.4%	323 26.1%	**650** **52.5%**
TOTAL	**437** **35.3%**	**313** **25.3%**	**488** **39.4%**	**1,238** **100%**

The bank originated 47.5 percent of its commercial loans to small businesses. In comparison, 2007 Dun & Bradstreet data indicate that 87.7 percent of businesses inside the assessment area are small businesses. However, the bank's lending to small businesses compares favorably to 2007 CRA aggregate data for the assessment area, which reflect that 38.7 percent of commercial lending was to small businesses. In addition, the 2007 CRA aggregate reports show St. Louis has a very competitive banking environment. According to 2007 aggregate data, 106 financial institutions reported that they had made at least one small business loan within the bank's assessment area. This aggregate data does not reflect the lending activities of financial institutions that are not required to report such data based on their asset size. Based on this analysis, the distribution of small business loans to businesses of various sizes is considered adequate.

Lending Distribution by Business Revenue Level (2008)				
Gross Revenue	**Loan Origination Amount (in $000s)**			**TOTAL**
	≤$100	**>$100≤$250**	**>$250≤$1,000**	
$1 Million or Less	228 21.7%	135 12.8%	143 13.6%	**506** **48.1%**
Greater Than $1 Million	127 12.1%	157 14.9%	263 25.0%	**547** **51.9%**
TOTAL	**355** **33.7%**	**292** **27.7%**	**406** **38.6%**	**1,053** **100%**

The bank's 2008 lending to businesses of various sizes was very similar to that of 2007. The bank originated 48.1 percent of its commercial loans to small businesses. In comparison, 2008 Dun & Bradstreet data indicate that 87.7 percent of businesses inside the assessment area are small businesses. CRA aggregate data has not been released for 2008, so no comparison can be made.

Overall, based on the two products reviewed, the bank's meets the standard for adequate performance under the borrower distribution criterion.

Community Development Lending

The bank made an outstanding level of qualified community development loans. Since the last examination, the bank has originated 87 loans totaling $145.4 million in qualified loans to various businesses and organizations throughout its assessment area. The following is a description of several of the bank's largest loan projects:

- The bank originated loans to several certified Community Development Entities (CDEs). Companies are deemed to be a CDE when, among other characteristics, they have a mission of serving LMI communities or individuals. These CDEs are able to utilize new market tax credits, which allow for private sector investments in economically distressed communities.

- The bank originated loans to not-for-profit companies which specialize in rehabilitating and selling homes to low-income individuals throughout the city of St. Louis.

- The bank originated loans to a construction company that targets LMI census tracts for stabilization to build affordable single-family housing. The company has been successful in rehabilitating several LMI areas within the city of St. Louis.

- The bank originated loans to companies which provide food, clothing, and shelter assistance to homeless and needy individuals throughout the St. Louis MSA.

- The bank originated loans to an affordable housing agency. This agency oversees the funding and construction of new housing and the rehabilitation of housing for LMI housing projects in the St. Louis MSA.

Below is a summary of the bank's community development loan activity:

- Sixty-one loans totaling $28.7 million that provide affordable housing targeted to LMI borrowers.

- Sixteen loans totaling $93.5 million for economic development.

- Seven loans totaling $22.6 million for the revitalization and stabilization of LMI geographies that impact LMI individuals.

- Three loans totaling $505,000 to entities that provide community development services targeted to LMI areas or people.

INVESTMENT TEST

Southwest Bank is rated Outstanding for its overall performance with respect to the investment test. The bank had an excellent level of qualified community development investments and donations/grants in light of the opportunities available within its assessment area. Together, the investments and donations totaled $13.2 million and are discussed below.

<u>Qualified Investments</u>

For the review period, the bank's qualified community development investments totaled $12.7 million. This total is comprised of $3.4 million in Treasury investments and $9.3 million in investments through the M&I CDC. Through the Treasury investments, the bank participated in mortgage-backed securities which provide affordable housing to LMI families. The investments through the CDC allowed Southwest Bank to participate in various activities with the majority of funds targeted to affordable housing.

<u>Qualified Donations/Grants</u>

In addition, the bank made a total of approximately $481,000 in bank donations and a $15,000 donation through the M&I Foundation to organizations that have a community development purpose. These organizations provide a variety of assistance targeted to LMI individuals or LMI geographies in the bank's assessment area. Activities varied between outreach to the homeless, educational advancement, youth services, social programs, and affordable or free health care. The culmination of these investments and donations exhibit an excellent response to the credit and community development needs of the St. Louis MSA.

SERVICE TEST

Southwest Bank's performance relative to the service test is considered high satisfactory based upon the bank's retail delivery systems, the products and services it offers, and the level of involvement by bank representatives in community development services.

Retail Services

Retail services are considered excellent based on the number and location of branches and ATMs, hours of operation, location of branches opened and closed since the previous examination, the nature and diversity of products and services offered, and the availability of alternative delivery systems.

Currently, the bank operates 17 full-service offices. Three (17.6 percent) of the offices are located in moderate-income census tracts. The bank operates 18 ATMs in its assessment area, of which three (15.8 percent) are located in moderate-income census tracts. The bank opened two branches in upper-income census tracts in St. Charles County in 2007 and has not closed any branches. In addition, no ATMs have been opened, but one cash-dispensing ATM located at a diner was closed. This ATM was located in an upper-income census tract.

The bank offers a variety of commercial and retail products including checking accounts, passbook savings accounts, certificates of deposit, and other services. The bank also has bi-lingual employees to assist immigrant customers in obtaining financial services. In addition, the bank has a website, www.mysouthwestbank.com, and a 24-hour telephone system that allows customers to make inquiries, loan payments, and transfers.

Community Development Services

The bank provided a relatively high level of community development services. Twenty-three employees participated in such activities offered through 27 different organizations. These services were provided through employee and officer involvement, most notably in leadership capacities relating to banking and financial literacy and services that benefit LMI communities and individuals.

Many Southwest Bank officers are involved in leadership positions with various community organizations that provide affordable housing, promote small business development, assist LMI individuals, promote community revitalization, or are dedicated to economic development and revitalization of distressed neighborhoods.

In addition, through its parent company, M&I, Southwest Bank has initiated and broadened the M&I community education program in the St. Louis area. Designed to target LMI individuals and equip them with the skills to make sound financial decisions, this program is recognized as a premier provider of financial literacy and has been utilized through various employees. Examples include the FDIC Money Smart Program and the Get Checking Program. In addition, a Spanish-speaking personal banker teaches classes on financial literacy to the Hispanic community. Finally, this community education program is assisting the U.S. Department of the

Treasury in an initiative they instituted called the Community Financial Access Pilot (CFAP). This program is designed to increase access to financial education and financial products and services for LMI individuals and families. St. Louis is one of eight communities nationally selected as a pilot site to develop and implement sustainable approaches to expand financial access among the unbanked and underbanked residents. Southwest Bank has been part of the steering committee and one of 19 financial institutions implementing this pilot in the St. Louis region.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified. Fair lending policies, procedures, training programs and internal assessment efforts were found to be appropriate.

APPENDIX A

SCOPE OF EXAMINATION

The bank's major product lines were reviewed under the lending test. The loans used in the analysis included all of the bank's HMDA and small business loans for 2007 and 2008. In addition, the bank's community development loans, qualified investments, retail services and community development services were reviewed. The bank has one assessment area.

TIME PERIOD REVIEWED	January 2007 through December 2008

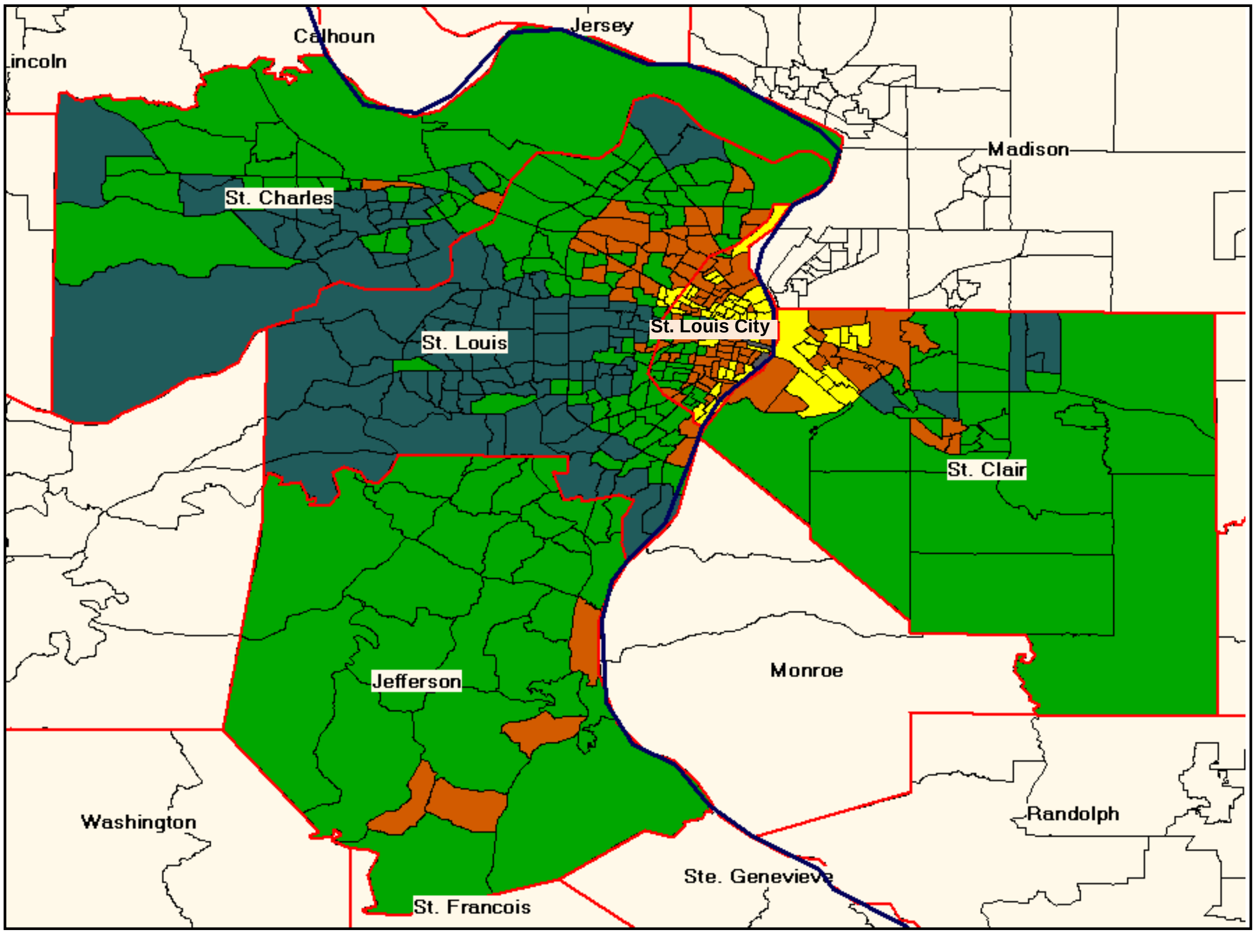
FINANCIAL INSTITUTION	**PRODUCTS REVIEWED**
Southwest Bank, an M&I Bank St. Louis, Missouri	HMDA Small Business

AFFLIATE(S) REVIEWED	**AFFILIATE RELATIONSHIP**		**PRODUCTS REVIEWED**
M&I Community Development Corporation	Holding company subsidiary		Investments
M&I Foundation	Holding company subsidiary		Investments

LIST OF ASSESMENT AREAS AND TYPE OF EXAMINATION

ASSESSMENT AREA	**TYPE OF EXAMINATION**	**BRANCHES VISITED**	**OTHER INFORMATION**
Jefferson County, Missouri St. Charles County, Missouri St. Louis City, Missouri St. Louis County, Missouri St. Clair County, Illinois	Full Procedures	N/A	N/A

APPENDIX B



Low-income Moderate-income Middle-income Upper-income

APPENDIX C

GLOSSARY

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

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

Community development: All agencies have adopted the following language. Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of $1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

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

(i) Low-or moderate-income geographies;
(ii) Designated disaster areas; or
(ii) Distressed or underserved non-metropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-

   a. Rates of poverty, unemployment, and population loss; or
   b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

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

Distressed Census Tract: A non-metropolitan middle-income geography is designated as distressed if it is in a county that meets one or more of the following triggers: (1) An unemployment rate of at least 1.5% times the national average, (2) a poverty rate that of 20 percent or more, or (3) a population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the five year period preceding the most recent census.

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

Full-scope review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

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

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

Limited-scope review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

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

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

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. An MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. An MD is a division of an MSA based on specific criteria including commuting patterns. Only an MSA that has a population of at least 2.5 million may be divided into MDs.

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

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

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

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

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

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

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

Small loan(s) to business (es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of $1 million or less and typically are secured by either non-farm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by non-farm residential real estate as "small business loans" if the loans are reported on the TFR as non-mortgage, commercial loans.

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

Underserved Census Tract: A non-metropolitan middle-income geography will be designated as underserved if it meets the criteria for population size, density, and dispersion that indicate that its population is sufficiently small, thin, and distant from a population center such that it is likely to have difficulty in financing the fixed costs of essential community needs. Federal Banking Examination Agencies use as a basis for these designations the "urban influence codes," numbered "7," "10," "11," and "12," maintained by the Economic Research Service of the USDA.

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