

PUBLIC DISCLOSURE

December 20, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

M&I BANK OF SOUTHERN WISCONSIN

RSSD Number: 728443

P.O. Box 8998
Madison, WI 53708

FEDERAL RESERVE BANK
OF CHICAGO

230 South LaSalle
Chicago, Illinois 60604

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

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **M&I Bank South, Janesville, Wisconsin** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **December 20, 1999**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

INSTITUTION'S RATING: This institution is rated Satisfactory.

M&I Bank South has produced a strong record of serving its combined assessment area based on an evaluation of its lending, investment, and services activities. The bank's efforts are accomplished primarily through its origination of commercial, real estate, agricultural, and consumer loans, as evidenced in the analyses performed as a part of the lending test. The bank's consistently high loan-to-deposit ratio, the mix of loans in its loan portfolio at September 30, 2000, and the additional secondary market loans provided by the bank through its affiliate, M&I Mortgage Corp., all support the conclusion that the bank is meeting the credit needs of the various market segments in its combined assessment area. The bank has been the source of more HMDA-reportable mortgage loans, as well as CRA-reportable small business and small farm loans, in both assessment areas than any other lender that reports this data. HMDA-reportable lending activity by the bank in low- and moderate-income census tracts and to low- and moderate-income borrowers is considered strong. Lending to small businesses and small farms is very strong, with the vast majority of such loans being in amounts of \$100,000 or less and to those borrowers with gross annual revenues of \$1 million or less. Community development loans and investments are reasonable in light of the limited opportunities available. Deposit and loan products offered by the bank meet the needs of the community, and access to these products is facilitated through a number of conventional and alternate delivery systems. Bank personnel provide a significant level of community development services to local organizations. The examination revealed no patterns or practices intended to discriminate against or to discourage applications from any member of a protected class. No CRA-related complaints have been received since the previous examination.

The following table indicates the performance level of **M&I Bank South, Janesville, Wisconsin**, with respect to the lending, investment, and service tests. Based on the component test ratings for large banks, the assigned composite rating is *Satisfactory*.

M&I BANK SOUTH			
Performance Levels	Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X		X
Low Satisfactory		X	
Needs to Improve			
Substantial Noncompliance			
<i>*The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.</i>			

DESCRIPTION OF INSTITUTION

M&I Bank South, with total assets of \$825.0 million as of September 30, 2000, is a wholly-owned subsidiary of Marshall & Ilsley Corporation (M&I), a multi-bank holding company located in Milwaukee, Wisconsin. The bank operates 12 full-service branch offices within its combined assessment area – nine in Rock County, one in Dane County, and two in Walworth County. Nine of the 12 offices include drive-up banking windows. The bank's main office is located in a low-income census tract in downtown Janesville. The bank also maintains 12 automated teller machines (ATMs) – nine in Rock County, two in Dane County, and one in Walworth County. The bank's CRA performance was most recently evaluated on December 22, 1997 at which time it was rated satisfactory.

The bank as an M&I affiliate, offers a full range of commercial, real estate, agricultural, and consumer loans and lines of credit. An additional selection of mortgage loan products is available to the bank's customers through its affiliate, M&I Mortgage Corp. A review of the bank's loan portfolio as of September 30, 2000 revealed that commercial loans, including those secured by real estate, are the largest loan category representing 41% of the loan portfolio, followed closely by residential real estate loans, which comprise 38% of the loan portfolio. Agricultural and consumer loans represent 18% and 3%, respectively, of the loan portfolio at that date. The bank participates in a number of federal government-sponsored programs, including those offered through the Small Business Administration (SBA), Veterans Administration (VA), and Farm Service Administration (FSA). Furthermore, the bank makes loans in cooperation with certain State of Wisconsin agencies and programs, including the Wisconsin Housing and Economic Development Authority (WHEDA), which provides assistance to homebuyers and farmers, and the Petroleum Environmental Cleanup Fund Act (PECFA). There are no factors relative to the bank's financial condition, size or local economic conditions that would prevent the bank from meeting the community's credit needs.

The bank experiences substantial competition for deposits and loans in the geographic markets it serves from large regional banks, including Firststar Bank, N.A.; Bank One, Wisconsin; Associated Bank, Milwaukee; Associated Bank South Central; and Johnson Bank; as well as smaller local banks. Specific bank competitors identified by bank management, including the communities in which they compete with the bank, are identified in Table 1.

Table 1	
M&I BANK SOUTH'S COMPETITORS	
Bank Name/Headquarters	Location of Competing Branches
Bank One, Wisconsin/Milwaukee	Janesville (3 locations), Edgerton
Firststar Bank, N.A./Cincinnati	Janesville, Delavan
Blackhawk State Bank/Beloit	Beloit (5 locations)
Associated Bank South Central/Madison	Janesville, Evansville
Johnson Bank/Racine	Janesville
Community Bank Delavan/Delavan	Delavan
The First National Bank & Trust Company of Beloit/Beloit	Beloit (2 locations), Beloit Township
Cambridge State Bank/Cambridge	Cambridge
Union Bank & Trust Company/Evansville	Evansville
Associated Bank Milwaukee/Milwaukee	Delavan
First Banking Center/Burlington	Lake Geneva

Additional competition is provided by thrift institutions, credit unions, and other financial intermediaries operating in the bank’s combined assessment area. Thrift institutions that compete with the bank include AnchorBank S.S.B., Mutual Savings Bank, and First Federal Savings Bank La Crosse-Madison. Credit union competitors include Blackhawk Credit Union, Parker Community Credit Union, First American Credit Union, and First Community Credit Union of Beloit.

DESCRIPTION OF M&I BANK SOUTH'S ASSESSMENT AREAS

Bank management has established two assessment areas. The first will be referred to as the Janesville-Beloit assessment area, and includes the entire Janesville-Beloit Metropolitan Statistical Area (MSA) - Rock County - plus three census tracts in the southeast portion of the Madison MSA. The second will be referred to as the non-MSA assessment area, and includes four census tracts in the southwest portion of Walworth County and five block numbering areas (BNAs) in the southwest portion of Jefferson County. The two assessment areas together consist of a total of 46 geographies (census tracts or block numbering areas), that include one low-, six moderate-, 29 middle- and 10 upper-income geographies.

The combined assessment area’s population was 193,341 according to 1990 census data. Recent population estimates by the State of Wisconsin’s Department of Administration indicate that the area’s population has grown since 1990, as noted in the descriptions of each assessment area below. Demographic information, including population statistics and the distribution of families by 1990 median family income, for its assessment areas is detailed in Table 2.

Table 2 M&I BANK SOUTH SUMMARY OF POPULATION AND MEDIAN FAMILY INCOME LEVEL							
Area	Population Per 1990 Census	Number of Families Per 1990 Census	Percentage of Families By 1990 Median Family Income Level				
			Low-Income	Moderate-Income	Middle-Income	Upper-Income	Below Poverty Level
Janesville-Beloit MSA	139,510	37,767	18.2	18.5	26.6	36.7	7.8
Madison MSA portion	14,792	4,140	16.0	21.4	30.4	32.2	3.8
Janesville-Beloit assessment area	154,302	41,907	18.0	18.8	26.9	36.3	7.4
Walworth Co. portion	20,363	5,563	N/A	N/A	N/A	N/A	N/A
Jefferson Co. portion	18,676	5,213	N/A	N/A	N/A	N/A	N/A
Non-MSA assessment area	39,039	10,776	10.9	16.4	24.0	48.7	4.6
Combined assessment area	193,341	52,683	16.6	18.3	26.3	38.8	6.8
Dane County (Madison MSA)	367,085	87,346	15.8	19.7	28.3	36.2	4.8
Walworth County	75,000	19,060	11.4	15.7	23.3	49.6	5.0
Jefferson County	67,783	17,759	11.0	15.5	24.9	48.6	4.8
State-All	4,891,769	1,284,297	17.9	18.7	26.5	36.9	7.6
State-Non-metropolitan areas	1,560,597	420,033	17.5	19.5	25.5	37.5	7.9

N/A – Not available

Table 2 reveals that the 14,792 individuals living in the three Madison MSA census tracts that are included in the Janesville-Beloit assessment area, represent just 4.0% of the total population of the Madison MSA and 9.6% of the population of this assessment area. The table also indicates that the population of the non-MSA assessment area is split almost equally between Walworth County and Jefferson County. In addition, the number of individuals living in the Walworth County portion of the non-MSA assessment area represent 27.2% of the total population of the entire county. Similarly, the population of the Jefferson County portion of the non-MSA assessment area represents 27.6% of the entire population of that county.

Approximately 36.8% of all families in the Janesville-Beloit assessment area are considered low- or moderate income; 7.4% of all families have incomes below the poverty level. These figures are consistent with the corresponding data for the State of Wisconsin (“state”) overall at 36.6% and 7.6%, respectively. Approximately 27.3% of all families in the non-MSA assessment area are considered low- or moderate-income; 4.6% have incomes below the poverty level. Thus, the non-MSA assessment area has certain strengths economically compared to the Janesville-Beloit assessment area and in comparison to all non-metropolitan areas of the state.

Economic indicators reveal that the economy of the combined assessment area has been generally

strong. Table 3 details important economic indicators for the two assessment areas, the state overall, the four counties included in whole or in part in the combined assessment area and all non-metropolitan areas of the state. Individual county information is included for each of the four counties since certain data is available only at the county level.

Area	Median Family Income (\$)		Unemployment ⁽¹⁾ (%)		Housing Values (\$)		1990 Housing Affordability Index ⁽⁵⁾
	1990 ⁽²⁾	2000 Estimate ⁽³⁾	Nov. 1999	Nov. 2000	1990 Median Housing Value ⁽²⁾	1999 Median Sales Price ⁽⁴⁾	
Janesville-Beloit assessment area	36,037	(7)	(7)	(7)	53,972	(6)	1.50
Non-MSA assessment area	35,723	N/A	N/A	N/A	61,171	N/A	1.71
Combined assessment area	35,966	N/A	N/A	N/A	55,455	N/A	1.54
Rock County (Janesville-Beloit MSA)	35,605	57,300	6.4	3.3	52,458	92,400	1.47
Dane County (Madison MSA)	41,529	64,700	1.2	1.2	77,950	141,100	1.88
Walworth County	36,125	56,600	2.0	2.0	68,744	N/A	1.90
Jefferson County	35,752	54,500	2.1	2.0	59,446	(6)	1.66
State – All	35,082	54,300	2.6	2.7	62,141	N/A	1.77
State – All non-metropolitan areas	30,290	46,700	N/A	N/A	50,092	N/A	1.65

(1) Source of unemployment data is the State of Wisconsin Department of Workforce Development.
(2) Source of this information is 1990 census data.
(3) Department of Housing and Urban Development (HUD) estimates.
(4) Source of this housing sales data is the Wisconsin Realtors Association.
(5) The housing affordability index is calculated by dividing the median housing value by the median family income. A higher number indicates decreased housing affordability.
(6) The median sales price for the entire year is not available. The median sales prices for each of the first three-quarters of 1999 were \$115,800, \$117,000, and \$128,300, respectively.
(7) Data for this assessment area is not available; however, it should closely approximate the information shown for Rock County as Rock County represents a significant portion of the assessment area.
N/A – Not Available

Median family income grew by 60.9% in Rock County, 55.8% in Dane County, 56.7% in Walworth County, and 52.4% in Jefferson County between 1990 and 2000, as evidenced by information in Table 3. Median family income growth rates for the state overall and for all non-metropolitan areas of the state were 54.8% and 54.2%, respectively. There are no readily apparent reasons for either the slightly higher growth rate in Rock County or the slightly lower growth rate in Jefferson County; however, the overall growth in median family income in the combined assessment area is generally consistent with growth rates in the state as a whole. The increases in median family income since 1990, especially in Rock County, which represents 72% of the population of the combined assessment area, are signs of a strong economy.

Unemployment statistics also indicate current strong economic conditions in the combined assessment area. The November 2000 unemployment rates shown in Table 3 for all four counties of the combined assessment area are as low as they have been at any time in 2000. Furthermore, the November 2000 unemployment rates are among the lowest rates experienced in each county in at least the last five years. Rock County's unemployment rates are higher than the comparable unemployment rates for the state as a whole; however, this relationship has been the normal pattern for most of the last five years. It should be noted that Rock County's November 1999 unemployment rate of 6.4% appears to be a one-month aberration, as the unemployment rates for October and December 1999 were each 3.4%.

Housing values have risen significantly since 1990, based on the median sales price of homes sold in 1999 compared to median housing values from the 1990 census. Housing values increased by 76.1% in Rock County and by 81.0% in Dane County during this time period. Home sales figures for the first three quarters of 1999 for Jefferson County indicate that housing values have increased a minimum of 94.8% since 1990. Recent home sales data for Walworth County was not available at this time. The housing affordability index, which is a measure of the relative affordability of housing in relation to income, is lower in the Janesville-Beloit assessment area than for both the non-MSA assessment area and the state overall. This is an indication that housing in the Janesville-Beloit assessment area is relatively more affordable than in the other areas. The fact that housing values have been rising at a faster rate than median family income since 1990 indicates that the housing affordability index has been increasing during this time. Furthermore, the data shown in Table 3 indicates that the housing affordability index is rising faster in Jefferson County than in Rock and Dane counties, thus widening the gap in the housing affordability index between the two assessment areas.

Description of the Janesville-Beloit Assessment Area

The Janesville-Beloit assessment area includes the 34 census tracts that comprise the Janesville-Beloit MSA (all of Rock County), plus three census tracts in the southeast corner of the Madison MSA. The three Madison MSA census tracts are contiguous with the Janesville-Beloit MSA and represent just 4.0% of the population of the entire Madison MSA based on 1990 census data. These three census tracts are being included in the Janesville-Beloit assessment area rather than being evaluated as a separate assessment area for these reasons.

The 37 census tracts in this assessment area include one low-, six moderate-, 25 middle-, and five upper-income tracts. The low-income census tract and two of the moderate-income census tracts include Janesville's central business district and adjacent neighborhoods. Three of the moderate-income census tracts are in Beloit and one is in the Madison MSA. The bank serves this assessment area through ten offices – nine in the Janesville-Beloit MSA and one in the Madison MSA. Four of the offices are in Janesville and three are in Beloit; there is one office each in Edgerton, Evansville, and Cambridge (in the Madison MSA). The bank also operates 11 ATMs in this assessment area – nine in the Janesville-Beloit MSA and two in the Madison MSA. The bank's main office in Janesville is located in the low-income census tract, and one of the Janesville ATMs is located in a moderate-income census tract.

The population of the Janesville-Beloit assessment area was 154,302 based upon 1990 census data, with 139,510 residents in the Janesville-Beloit MSA portion of the assessment area and 14,792 residents in the three Madison MSA census tracts. Recent estimates indicate that the Janesville-Beloit MSA population grew by almost 11,700, or 8.4%, between 1990 and 2000. Growth estimates for the three Madison MSA census tracts are not available; however, specifically identifiable towns and villages located in these census tracts are estimated to have grown by 23.4% since 1990 due to their proximity to Madison. The majority of the land area of this assessment area is rural in nature; however, approximately 63% of the individuals living in the assessment area reside in the two largest cities – Janesville, with an estimated population of 59,800, and Beloit, with an estimated population of 36,200.

The bank has a dominant presence in the Janesville-Beloit MSA, as evidenced by the fact that it holds 27.3% of all FDIC-insured deposits in the MSA as of June 30, 1999 (the last date such information was available). This high percentage of deposits ranks it first out of 19 FDIC-insured institutions operating in the MSA, and its 27.3% market share is twice that of the number two ranked institution. The bank's one branch in the Madison MSA has a small presence there, representing 0.5% of all FDIC-insured deposits in the MSA as of June 30, 1999, which ranks the bank 30th out of 36 institutions. Together, the Janesville-Beloit assessment area represents 86.1% of the bank's total deposits as of June 30, 1999.

There are many employment opportunities within this assessment area especially in the two cities of Janesville and Beloit. This area has a high concentration in the durable goods manufacturing industry, with General Motors Corporation being the largest employer, providing 5,300 jobs at its automobile production facility in Janesville. The healthcare industry is also an important market segment in this assessment area, with Mercy Health System and Beloit Memorial Hospital providing a significant number of jobs. In addition, significant employment opportunities exist within reasonable commuting distance of the assessment area. Madison, the second largest city in Wisconsin, is located 39 miles north of Janesville; Rockford, the second largest city in Illinois, is located 20 miles south of Beloit; and Lake Geneva is located 34 miles east of Beloit. A 1994 study of employment commuting patterns revealed that over 6,100 Rock County residents regularly commute to Illinois, 2,800 commute to Dane County, and 1,800 commute to Walworth County for jobs. November 2000 unemployment percentages are at or near the lows for the past five years, as previously noted. The largest employer in Beloit, The Beloit Corporation, went out of business in January 1999, resulting in the loss of approximately 1,650 jobs. The trends in recent unemployment rates indicate that these displaced workers have found other employment.

Community representatives contacted during the examination provided conflicting information about current economic conditions in this assessment area. One individual stated that the economy in Janesville was fairly stable, with steady population growth and moderately low unemployment rates. Another community representative agreed that unemployment rates were low with a sufficient labor supply available, and that population growth was strong, reflecting an increasing supply of new jobs

over the years. This representative noted, however, that the farming segment of the economy was struggling at this time due to declining crop prices. A third community representative felt that unemployment rates were understated since they ignore individuals who are not actively seeking employment. He added that rising housing costs in Beloit are precluding an increasing number of individuals from homeownership, and that rents in Beloit are high in relation to income levels.

Description of the Non-MSA Assessment Area

The non-MSA assessment area consists of four census tracts in Walworth County and five BNAs in Jefferson County. These nine geographies include four middle-income and five upper-income geographies. The bank operates two offices (Delavan and Sharon) and one ATM in this assessment area. This assessment area is mostly rural in nature, with only two cities (Delavan and Elkhorn) having a population of more than 5,000. The population of the assessment area is 39,039 based upon 1990 census data, including 20,363 residing in Walworth County and 18,676 in Jefferson County. Recent estimates indicate that there has been population growth in both portions of the assessment area. The largest towns, villages, and cities in the Walworth portion of the assessment area are estimated to have grown by 18.3% between 1990 and 2000, while the largest communities in the Jefferson County portion of the assessment area are estimated to have grown by 13.1% during this period.

The bank's two branches in this assessment area represent \$71.2 million in FDIC-insured deposits as of June 30, 1999, which represents 13.9% of the bank's total deposits at that date, and ranks the bank 9th out of 20 FDIC-insured institutions.

Among the larger employers operating within this assessment area are Sta-Rite Industries, Waukesha Cherry-Burrell, ECM Motor Co. and Lakeland Medical Center in Walworth County, each providing 400 or more jobs, and APV Americas-Lake Mills and Planar Systems in Jefferson County, providing 300-500 jobs each. Additional employment opportunities exist within reasonable commuting distance in Madison, Lake Geneva, the Milwaukee-Waukesha area, and northern Illinois. Recent unemployment rates are near their lowest point in at least the past five years, as previously noted.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

The bank's performance under the lending, investment, and service tests of the CRA is described in the sections that follow.

LENDING TEST

The evaluation of M&I Bank South's lending test performance includes analyses of its overall lending volume; distribution of its loan portfolio; assessment area lending concentration; geographic distribution of its lending; lending distribution based on borrower income levels; lending to small businesses and small farms; product innovation and flexibility; and community development lending. The bank's lending performance was evaluated through a review of the bank's quarterly consolidated reports of condition

and Uniform Bank Performance Reports (UBPRs). In addition, internally prepared analyses of the bank's 1998, 1999, and year-to-date 2000 Home Mortgage Disclosure Act (HMDA)-reportable loans and 1998 and 1999 CRA-reportable loans were reviewed and evaluated. Bank management and community representatives were interviewed to identify community development lending opportunities in the bank's combined assessment area. Loan documents and other bank records were reviewed to identify and evaluate the bank's lending activities in meeting the credit needs of the community.

Lending Volume

The bank's loan-to-deposit ratio, as reported in its UBPR, was 102.0% as of September 30, 2000 and averaged 104.5% during the 11 quarters ending September 30, 2000. These percentages are higher than similar percentages for the bank's competitors in its combined assessment area and for its nationwide peer group, as detailed in Table 4. None of the competitors included in Table 4 are directly comparable with the bank due to their varied asset sizes and the different assessment areas that each serves. The loan-to-deposit information for these competitors and the bank's nationwide peer group are provided as a frame of reference in evaluating the bank's lending performance. The bank's high loan-to-deposit ratios indicate a strong commitment by bank management to making loans to residents, businesses, and farms located in its combined assessment area.

Institution	Assets at 09-30-00 (\$Millions)	Loan-to-Deposit Ratio	
		At 09-30-00	11-Qtr Average ⁽¹⁾
Bank One, Wisconsin	7,915.8	125.9	125.9
M&I Bank South	825.0	102.0	104.5
First Banking Center	404.3	95.5	95.6
Firststar Bank, N.A.	69,195.9	100.2	94.2
Johnson Bank	1,373.6	87.2	86.5
Associated Bank South Central	993.7	92.3	86.3
Cambridge State Bank	49.5	88.7	86.2
Associated Bank Milwaukee	3,016.1	88.8	86.2
Blackhawk State Bank	315.1	89.9	82.0
Nationwide Peer Group	N/A	82.4	79.4
The First National Bank & Trust Company of Beloit	266.7	81.6	77.3
Union Bank & Trust Company	86.0	87.4	76.1
Community Bank Delavan	79.3	71.6	73.7

Table 4			
M&I BANK SOUTH			
LOAN-TO-DEPOSIT RATIO OF THE BANK,			
ITS LOCAL COMPETITORS AND ITS NATIONWIDE PEER GROUP			
Institution	Assets at 09-30-00 (\$Millions)	Loan-to-Deposit Ratio	
		At 09-30-00	11-Qtr Average ⁽¹⁾
<i>(1) The 11-quarter average is calculated using the loan-to-deposit ratio reported at each quarter's end during the period March 31, 1998 through September 30, 2000.</i>			
<i>N/A – Not applicable</i>			

Another important consideration in evaluating the bank's lending performance is the significant volume of mortgage loans originated by the bank's affiliate, M&I Mortgage Corp., on its behalf that are not reflected in its loan-to-deposit ratios. These secondary market loans include 939 loans totaling \$99.3 million in 1998, 836 loans totaling \$85.9 million in 1999, and 378 loans totaling \$34.2 million made during the first nine months of 2000.

The bank's loan portfolio composition as of September 30, 2000 was reviewed in evaluating the bank's performance in providing different types of loans to its customers. Table 5 details this information by loan type as reported in the bank's consolidated report of condition.

Table 5		
M&I BANK SOUTH		
COMPOSITION OF LOAN PORTFOLIO AT SEPTEMBER 30, 2000		
Loan Type	\$(000)	%
Real Estate Loans:		
Construction/land development	10,258	1.7
Secured by farmland	67,558	11.3
Revolving open-end (1-4 family)	16,951	2.8
Residential (1-4 family)	195,321	32.5
Multi-family	14,971	2.5
Commercial	136,002	22.6
Total real estate loans	441,061	73.4
Agricultural loans	41,986	7.0
Commercial and industrial loans	98,657	16.4
Credit cards	5,676	0.9
Consumer loans	11,993	2.0
States and political subdivisions	418	0.1
All other (excludes consumer loans)	923	0.2
Total all loans	600,714	100.0

Table 5 illustrates that loans secured by various types of real estate are significant, representing over 73% of the loan portfolio as of September 30, 2000. An additional analysis of the loan portfolio indicates that commercial loans - including construction/land development, commercial real estate, commercial and industrial, states and political subdivisions, and all other loans – together, represent 41.0% of the loan portfolio. Loans secured by residential real estate – revolving open-end (1-4 family), residential (1-4 family), and multifamily loans – represent 37.8% of the loan portfolio. The balance of the bank’s loan portfolio as of September 30, 2000 includes agricultural loans (farmland and agricultural loan categories) at 18.3% and consumer loans (credit cards and consumer loan categories) at 2.9%. Consumer loan volume, however, is a more significant portion of the bank’s lending activity than the dollar amount outstanding as of September 30, 2000, since consumer loans by their very nature are generally much smaller in size than commercial, residential real estate, or agricultural loans. It should also be noted that the bank’s loan portfolio grew by over 25% from \$480.0 million at March 31, 1998 to \$600.7 million as of September 30, 2000.

The bank’s loan activity, as measured by its high loan-to-deposit ratio, the number and dollar amount of secondary market loans made since January 1, 1998, the increase in the bank’s total loan portfolio in the past two and one-half years, and the distribution of its loan portfolio among the four major loan classifications, reflects excellent responsiveness by bank management in meeting the credit needs of the community.

Lending in the Combined Assessment Area

Analysts at the bank’s parent company, Marshall & Ilsley Corporation, regularly prepare analyses of the bank’s HMDA- and CRA-reportable lending activity. These internal analyses were utilized in evaluating the bank’s lending in its combined assessment area. Selected information from these analyses is summarized in Table 6. HMDA-reportable lending activity provided in Table 6 includes the bank’s own mortgage loans as well as those loans made by M&I Mortgage Corp. based on applications referred by the bank.

Table 6 M&I BANK SOUTH LENDING ACTIVITY IN THE COMBINED ASSESSMENT AREA			
Loan Year and Type	Total Number of Loans	Loans Made Within The Combined Assessment Area	
		Number	Percent
1998 HMDA-reportable loans ⁽¹⁾	1,876	1,598	85.2

1999 HMDA-reportable loans ⁽¹⁾	1,462	1,250	85.5
2000 HMDA-reportable loans (through 09/30/00) ⁽¹⁾	614	527	85.8
1998 CRA-reportable small business loans	899	717	79.8
1999 CRA-reportable small business loans	756	628	83.1
1998 CRA-reportable small farm loans	707	447	63.2
1999 CRA-reportable small farm loans	644	442	68.6
Totals	6,958	5,609	80.6
<i>(1) Includes mortgage loans made by the bank, as well as loans made by M&I Mortgage Corp. based on applications referred by the bank.</i>			

Table 6 reveals that almost 81% of the bank’s reportable loans were made in its combined assessment area. The percentage of reportable lending in the assessment area ranged from approximately 85% for HMDA-reportable lending to 63% - 69% for CRA-reportable small farm lending in the assessment area. A review of 1998 and 1999 aggregate CRA-reportable small farm lending data for Rock, Dane, Walworth, and Jefferson counties revealed that M&I Bank South is the largest reporters of such loans in each of the four counties in both years. In fact, the bank itself originated 83% and 61% of all 1998 and 1999 CRA-reportable farm loans in Rock County, respectively. Clearly the bank is originating a significant volume of small farm loans within its combined assessment area; however, it is also originating a significant number of such loans outside its assessment area. Management stated that the lower percentages of small farm lending in the combined assessment area were the result of the bank intentionally expanding its agricultural lending activities into three nearby counties – Green County in Wisconsin and Winnebago and Boone counties in Illinois. A review of aggregate CRA-reportable small farm data for Winnebago and Boone counties supports this statement. This data revealed that the bank is either first or second in 1998 and 1999 in the volume of CRA-reportable small farm loans in these two counties. Aggregate CRA-reportable small farm data for Green County indicates that the bank has a small volume of such loans in this county, as well; however, its presence is not yet significant.

The preceding analysis indicates a strong level of bank performance in meeting the mortgage, commercial, and agricultural credit needs of its customers in its combined assessment area.

Geographic Distribution

A geographic distribution analysis evaluates the level of bank lending activity in low- and moderate-income geographies in its assessment area. The only low- and moderate-income geographies in the bank’s assessment areas are located in the Janesville-Beloit assessment area; therefore, the non-MSA assessment area will not be considered in the geographic distribution analysis. The internal analyses of the bank’s lending activity prepared by the parent company’s analysts were utilized in evaluating the bank’s lending in low- and moderate-income tracts in the Janesville-Beloit assessment area.

Janesville-Beloit Assessment Area

HMDA-Reportable Lending

Table 7 summarizes the bank’s 1998, 1999, and year-to-date 2000 HMDA-reportable loans, as well as 1998 and 1999 aggregate lending data, by income designation of the census tracts in the Janesville-Beloit assessment area. The bank’s HMDA-reportable loans include those made by M&I Mortgage Corp. based on applications referred by the bank.

Table 7										
M&I BANK SOUTH – JANESVILLE-BELOIT ASSESSMENT AREA										
GEOGRAPHIC DISTRIBUTION ANALYSIS OF HMDA-REPORTABLE LOANS										
Census Tract Income Designation	M&I Bank South’s HMDA Loans ⁽¹⁾						Aggregate Lending Data ⁽³⁾			
	1998		1999		2000 ⁽²⁾		1998		1999	
	#	%	#	%	#	%	#	%	#	%
Low-income	3	0.2	3	0.3	1	0.2	28	0.3	14	0.2
Moderate-income	98	6.8	99	8.9	45	9.7	1,010	9.5	799	10.9
Middle-income	844	58.2	682	61.3	293	62.9	7,343	69.0	5,061	68.7
Upper-income	505	34.8	329	29.5	127	27.2	2,252	21.2	1,487	20.2
Totals	1,450	100.0	1,113	100.0	466	100.0	10,633	100.0	7,361	100.0

(1) Includes mortgage loans made by the bank, as well as loans made by M&I Mortgage Corp. based on applications referred by the bank.

(2) Includes activity reported for the nine months ended September 30, 2000.

(3) Aggregate lending data includes loan originations of all lenders that reported HMDA loans in the Janesville-Beloit assessment area, excluding M&I Bank South’s loan originations.

Table 7 reveals that there is a very low level of M&I Bank South HMDA-reportable and aggregate lending activity in the only low-income census tract in the Janesville-Beloit assessment area. This small lending volume is directly related to the demographic characteristics of the census tract. Specifically, this census tract includes Janesville’s central business district, which is largely a non-residential area, resulting in limited opportunities to make HMDA-reportable mortgage loans. This census tract includes 1,020 individuals, 199 families (of which 132 are designated as low- and moderate-income, including 51 with incomes below the poverty level), and 621 total housing units (of which only 76 are owner-occupied and 467 are rental units), based upon 1990 census data. The bank’s HMDA-reportable lending activity in this low-income census tract is consistent with aggregate lending patterns and reasonable in light of the limited lending opportunities available.

Table 7 also reveals that the bank’s HMDA-reportable lending activity in the six moderate-income census tracts in this assessment area, measured as a percentage of all HMDA-reportable loans made in the assessment area, is slightly below aggregate lending percentages. The trend of the bank’s lending activity in these census tracts, however, has been increasing from 6.8% in 1998 to 9.7% for the first nine months of 2000. A review of available HMDA lending data for the Janesville-Beloit MSA reveals that there is substantial competition for such loans in this area. There were 118 lenders in 1998 and 107

lenders in 1999 who reported HMDA lending activity in this MSA. M&I Bank South, despite the large number of competitors, represented 12.0% in 1998 and 13.1% in 1999 of the total loan volume of HMDA-reportable loans made by all reporting lenders in the aggregate. The bank also represented 8.8% and 11.0% of all HMDA-reportable loans made in the moderate-income census tracts in 1998 and 1999, respectively. Thus, the bank has been a significant source of HMDA-reportable lending in this assessment area, including the moderate-income census tracts, during 1998 and 1999. The bank's performance is considered strong.

Small Business Lending

Table 8 summarizes 1998 and 1999 CRA-reportable small business lending activity for the bank and for the aggregate of all other reporting in the Janesville-Beloit assessment area. A small business loan is defined in the regulation as a commercial loan having an original dollar amount of \$1.0 million or less.

Table 8 M&I BANK SOUTH – JANEVILLE-BELOIT ASSESSMENT AREA GEOGRAPHIC DISTRIBUTION ANALYSIS OF SMALL BUSINESS LOANS ⁽¹⁾												
Census Tract Income Designation	M&I Bank South's Small Business Loans								Aggregate Lending Data ⁽²⁾			
	1998				1999				1998		1999	
	#	%	\$(000)	%	#	%	\$(000)	%	#	%	#	%
Low-income	31	5.6	3,531	4.7	38	7.4	4,879	6.7	46	5.7	45	4.0
Moderate-income	81	14.8	10,318	13.7	80	15.7	11,241	15.6	63	7.8	101	8.9
Middle-income	242	44.2	29,820	39.6	223	43.6	29,949	41.5	470	58.0	698	61.6
Upper-income	194	35.4	31,648	42.0	170	33.3	26,160	36.2	231	28.5	289	25.5
Totals	548	100.0	75,317	100.0	511	100.0	72,229	100.0	810	100.0	1,133	100.0

(1) A small business loan has an original amount of \$1 million or less.
(2) Aggregate lending data includes the small business loans of all lenders in the Janesville-Beloit assessment area who report such information, excluding M&I Bank South's loan originations.

The information provided in Table 8 reveals that the bank is an active lender in the low- and moderate-income census tracts in this assessment area. The bank originated 112 loans totaling \$13.8 million in 1998 and 118 loans totaling \$16.1 million in 1999 in low- and moderate-income census tracts. These loans represent 20.4% of all reportable bank small business lending in 1998 and 23.1% in 1999. These percentages are significantly higher than the corresponding percentages of 13.5% in 1998 and 12.9% in 1999 for all other reporting lenders in this assessment area. This demonstrates that the bank's small business lending in the low- moderate-income census tracts in the Janesville-Beloit assessment area has been strong. It should also be noted that the bank is the largest single reporter of CRA-reportable small business loans in low- and moderate-income census tracts. The 112 loans made by the bank in 1998 and the 118 loans made in 1999 in low- and moderate-income census tracts represent 50.7% and 44.7%, respectively, of all CRA-reportable small business loans each year. The bank's small business lending performance in low- and moderate-income census tracts in the Janesville-Beloit assessment area is considered very strong.

Small Farm Lending

Table 9 summarizes 1998 and 1999 CRA-reportable small farm lending activity for the bank and for all other reporting lenders in the Janesville-Beloit assessment area. A small farm loan is defined in the regulation as an agricultural loan having an original dollar amount of \$500,000 or less. There are no small farm loans in the low-income census tract since this area is urban in nature. Furthermore, five of the six moderate-income census tracts in this assessment area are primarily urban in nature with a minimal amount of CRA-reportable small farm lending activity. The sixth moderate-income census tract (#121.00 in the Dane County portion of this assessment area) is largely rural and as a result, represents the area in which the majority of the assessment area's small farm lending is originated.

Table 9 M&I BANK SOUTH – JANESVILLE-BELOIT ASSESSMENT AREA GEOGRAPHIC DISTRIBUTION ANALYSIS OF SMALL FARM LOANS ⁽¹⁾												
Census Tract Income Designation	M&I Bank South's Small Farm Loans								Aggregate Lending Data ⁽²⁾			
	1998				1999				1998		1999	
	#	%	\$(000)	%	#	%	\$(000)	%	#	%	#	%
Low-income	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Moderate-income	32	9.0	3,073	11.2	22	6.2	1,961	6.3	4	7.6	3	1.6
Middle-income	263	74.1	19,418	70.9	266	74.9	23,858	76.4	43	81.1	138	75.0
Upper-income	60	16.9	4,901	17.9	67	18.9	5,416	17.3	6	11.3	43	23.4
Totals	355	100.0	27,392	100.0	355	100.0	31,235	100.0	53	100.0	184	100.0

(1) A small farm loan has an original amount of \$500,000 or less.
(2) Aggregate lending data includes the small farm loans of all lenders in the Janesville-Beloit assessment area who report such information, excluding M&I Bank South's loan originations.
N/A – Not applicable (the only low-income census tract in this assessment area is in downtown Janesville, which is not an agricultural area).

The data in Table 9 reveals that the bank is the largest CRA-reportable farm lender in this assessment area, originating 355 loans in both 1998 and 1999 compared to only 53 and 184 by all other reporting lenders in 1998 and 1999, respectively. The bank holds an even more dominant position in lending to small farm operations in the moderate-income census tracts in this assessment area, as evidenced by the fact that it originated 32 out of 36 reported small farm loans in 1998 and 22 out of 25 loans in 1999. This level of bank lending is considered very strong.

Borrower Characteristics

The bank's internally prepared analyses of its HMDA- and CRA-reportable loans were also reviewed to evaluate the bank's lending based on borrower characteristics. This evaluation considers the income of consumers, the gross annual revenues of small business and small farm borrowers, and the size of small business and small farm loans. Consumer income classifications include low-, moderate-, middle- and upper-income categories based on each borrower's annual income in relation to the median family income of the assessment area in which they reside. These income categories are defined as follows:

- Low-income – less than 50% of the area median family income

- Moderate-income – 50% to less than 80% of the area median family income
- Middle-income – 80% to less than 120% of the area median family income
- Upper-income – 120% or more of the area median family income.

The gross annual revenues, if known, of small business and small farm borrowers are also included in the CRA-LAR. This provides the opportunity for additional analysis and evaluation of the bank's small business and small farm lending, with emphasis on lending to those small businesses and farms with gross annual revenues of \$1 million or less. The discussions that follow are based on these definitions.

Janesville-Beloit Assessment Area

HMDA-Reportable Lending

The bank's 1998, 1999 and year-to-date 2000 HMDA-reportable loan activity in the Janesville-Beloit assessment area sorted by borrower income classification is summarized in Table 10. Comparable information for all other reporters of 1998 and 1999 HMDA lending activity in this assessment area is also provided.

Borrower Income Classification	Demo- graphic Data ⁽¹⁾ (%)	M&I Bank South's HMDA Loans ⁽²⁾						Aggregate Lending Data ⁽⁴⁾			
		1998		1999		2000 ⁽³⁾		1998		1999	
		#	%	#	%	#	%	#	%	#	%
Low-income	18.0	95	6.5	122	10.9	75	16.1	800	7.7	741	10.3
Moderate-income	18.8	242	16.7	238	21.4	112	24.0	2,267	21.9	1,961	27.4
Middle-income	26.9	448	30.9	356	32.0	140	30.1	3,809	36.9	2,479	34.6
Upper-income	36.3	665	45.9	397	35.7	139	29.8	3,461	33.5	1,983	27.7
Totals	100.0	1,450	100.0	1,113	100.0	466	100.0	10,337	100.0	7,164	100.0

(1) This is the percentage distribution of all families in the assessment area based on their annual incomes as of the 1990 census. Those families with incomes below the poverty level represent 7.4% of all families in this assessment area.

(2) Includes mortgage loans made by the bank, as well as loans made by M&I Mortgage Corp. based on applications referred by the bank.

(3) Includes activity reported for the nine months ended September 30, 2000.

(4) Aggregate lending data includes loan originations of all HMDA reporting lenders in the Janesville-Beloit assessment area, excluding M&I Bank South's loan originations.

The preceding table indicates that the percentages of bank lending to low-income borrowers in the Janesville-Beloit assessment area are consistent with the comparable percentages for all other HMDA reporters. The bank's percentages of lending to moderate-income borrowers are lower than for all other reporting lenders in the same period, although the trend of bank lending is increasing for both low- and moderate-income borrowers. Specifically, the percentage of lending to low-income borrowers increased from 6.5% for 1998 to 16.1% for year-to-date 2000 and from 16.7% for 1998 to 24.0% for year-to-date 2000 for moderate-income borrowers. It is important to note that low and moderate-income borrowers represent 40.1% of all HMDA-reportable loans made by the bank during the nine months ended September 30, 2000. This is a significant percentage considering the barriers that low-

and moderate-income individuals face in becoming homeowners and due to the rapid increases in housing costs and increases in interest rates during the scope of the examination. Another important consideration in evaluation the bank's lending performance is that bank lending represents almost 13% of all 1998 and 1999 HMDA-reportable lending combined, despite the fact that there are 107 to 118 reporters of HMDA loans in this assessment area. This is considered to be a strong level of bank performance in meeting the mortgage loan needs of all borrowers, including those with low- and moderate-incomes.

Small Business and Small Farm Lending

The bank has been a significant source of both small business and small farm loans in the Janesville-Beloit assessment area in 1998 and 1999. In fact, the bank is responsible for originating over 35% of the total number of small business loans and almost 75% of the aggregate of all CRA-reportable small farm loans in 1998 and 1999 combined. Table 11 summarizes the bank's 1998 and 1999 CRA-reportable small business and small farm lending activity, based upon loan size and borrower gross annual revenues.

Table 11								
M&I BANK SOUTH – JANESVILLE-BELOIT ASSESSMENT AREA								
ANALYSIS BASED ON LOAN SIZE AND BORROWER'S REVENUE OF								
SMALL BUSINESS AND SMALL FARM LOANS								
Original Loan Amount	Small Business Loans				Small Farm Loans			
	1998		1999		1998		1999	
	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)
<=\$100,000	390	16,311	311	14,437	277	9,458	257	9,255
>\$100,000-\$250,000	122	22,018	125	21,489	78	12,822	71	12,129
>\$250,000-Maximum ⁽¹⁾	90	47,656	78	37,467	18	6,224	28	9,901
Total	602	85,985	514	73,393	373	28,504	356	31,285
Borrower's Annual Revenue								
<=\$1,000,000	484	50,044	413	49,160	359	25,920	340	27,756

(1) The maximum loan amount is \$1,000,000 for small business loans and \$500,000 for small farm loans.

The data in Table 11 illustrates that the bank has originated 1,116 small business loans totaling over \$159 million in 1998 and 1999 combined, with the majority (almost 63%) of these loans having an original amount of \$100,000 or less for which small business credit needs are typically very strong. Furthermore, 80% of the number and 62% of the dollar amount of these small business loans were to businesses with annual revenues of \$1 million or less. The data in Table 11 related to the bank's small farm lending reveals a similarly strong performance. The bank originated a total of 729 small farm loans for almost \$60 million in 1998 and 1999 combined. Over 73% of the 729 loans were in amounts of \$100,000 or less, while almost 96% of the number and 90% of the dollar amount of these small farm loans were to farms with gross annual revenues of \$1 million or less. The bank's lending to small

businesses and small farms, especially smaller entities, in the Janesville-Beloit assessment area is very strong.

Non-MSA Assessment Area

HMDA-Reportable Lending

The bank's 1998, 1999, and year-to-date 2000 HMDA-reportable lending activity in the non-MSA assessment area is presented in Table 12. Aggregate lending data for this area is not readily available.

Borrower Income Classification	Families in the Assessment Area ⁽²⁾		1998		1999		2000 ⁽³⁾	
	#	%	#	%	#	%	#	%
Low-income	1,174	10.9	4	2.7	4	2.9	3	4.9
Moderate-income	1,770	16.4	16	10.8	28	20.5	10	16.4
Middle-income	2,585	24.0	27	18.3	37	27.0	20	32.8
Upper-income	5,247	48.7	101	68.2	68	49.6	28	45.9
Totals	10,776	100.0	148	100.0	137	100.0	61	100.0

(1) Includes mortgage loans made by the bank, as well as loans made by M&I Mortgage Corp. based on applications referred by the bank.

(2) This information is based upon 1990 census data. Those families with incomes below the poverty level represent 4.6% of all families in this assessment area.

(3) Includes activity reported for the nine months ended September 30, 2000.

The data in Table 12 indicates that the percentage of HMDA-reportable loans made by the bank to low-income borrowers ranges from 2.7% to 4.9% for the three periods under review, and that these percentages are significantly below the percentage of low-income families in this assessment area. This is reasonable considering the barriers that low-income individuals face in becoming homeowners, and due to the rapid increases in housing costs and in interest rates during the scope of the examination. Furthermore, 4.6% of all families in the assessment area have very low annual incomes, placing them below the poverty level. Thus, there are usually fewer opportunities for banks to lend to low-income individuals and thus, the bank's lending to low-income borrowers is consistent with available opportunities.

Table 12 also illustrates that the percentage of the bank's HMDA-reportable lending to moderate-income borrowers is generally consistent with the proportion of moderate-income families living in this assessment area. The bank's level of lending to moderate-income individuals in 1998 of 10.8% was less than the percentage of moderate-income individuals within the population of 16.4%; however, the level of lending improved to 20.5% and 16.4% in 1999 and 2000, respectively. The bank's level of lending is reasonable considering the barriers that moderate-income individuals face in becoming homeowners and due to the rapid increases in housing costs and in interest rates during the scope of the

examination. Thus, the ability of the bank to extend mortgage loans to moderate-income borrowers generally, in levels consistent with their representation in the assessment area population, is considered to be a generally strong performance. The bank's HMDA-reportable lending to low- and moderate-income borrowers in the non-MSA assessment area is generally strong.

Small Business and Small Farm Lending

The bank is a one of the largest reporters of small business and small farm credit in the non-MSA assessment area. Bank lending represented 33% of the number and 37% of the dollar amount of the aggregate of all small business originations reported in this assessment area in 1998, and 23% of the number and 49% of the dollar amount of all such loans reported in the aggregate in 1999. The bank has an even more dominant presence in originating small farm loans in this assessment area. Bank lending represented 86% of the number and 88% of the dollar amount of small farm originations reported by the aggregate of all CRA reporters in the non-MSA assessment area in 1998, and 67% of the number and 69% of the dollar amount of all such loans reported in the aggregate in 1999. Table 13 summarizes the bank's 1998 and 1999 CRA-reportable small business and small farm lending, based upon original loan amount and borrower gross annual revenues.

Table 13 M&I BANK SOUTH – NON-MSA ASSESSMENT AREA ANALYSIS BASED ON LOAN SIZE AND BORROWER'S REVENUE SMALL BUSINESS AND SMALL FARM LOANS								
Original Loan Amount	Small Business Loans				Small Farm Loans			
	1998		1999		1998		1999	
	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)
<=\$100,000	75	2,633	63	2,525	56	2,283	55	2,193
>\$100,000-\$250,000	27	4,785	33	6,123	12	1,885	20	3,563
>\$250,000-Maximum ⁽¹⁾	13	6,072	18	9,901	6	1,969	11	3,946
Total	115	13,490	114	18,549	74	6,137	86	9,702
Borrower's Annual Revenue								
<=\$1,000,000	95	9,183	90	13,238	67	4,856	77	7,422

(1) The maximum loan amount is \$1 million for small business loans and \$500,000 for small farm loans.

The bank originated \$32 million in small business loans and almost \$16 million in small farm loans in this assessment area in 1998 and 1999 combined. The vast majority of both the number and dollar amount of small business and small farm lending has been to those businesses and farms with gross annual revenues of \$1 million or less. In addition, a majority of the number of loans in each year was made in amounts of \$100,000 or less, where the smallest businesses and farms often have the greatest needs. It should also be noted that the dollar amount of both small business and small farm loans originated by the bank increased substantially in 1999 over 1998 levels. This analysis indicates that the bank's lending to small business and small farm owners in the non-MSA assessment area meets the credit needs of the community.

Innovative or Flexible Lending Practices

The bank offers a wide variety of loans and lines of credit to the consumers, businesses, farms, and other entities operating in the combined assessment area to meet the many credit needs of its community. Additional mortgage lending products are also made available through an affiliate, M&I Mortgage Corp. Mortgage loans originated through this affiliate between January 1, 1998 and September 30, 2000 totaled 2,153 loans for \$219.4 million. The bank demonstrates its flexibility in providing credit to the community it serves by participating in a number of federal and state programs that benefit low- and moderate-income borrowers and small businesses and farmers to increase their access to credit that might not otherwise be available to them. These loans, which have been included in the preceding analysis of HMDA- and CRA-reportable loans, deserve special mention due to the community development nature of these activities.

- **Federal and State VA.** The bank originated 27 loans for \$2.6 million under the federal VA

program and 19 loans for \$1.6 million under the State of Wisconsin's VA program during the period January 1, 1998 through September 30, 2000. These loans help military veterans obtain mortgages with the assistance of loan guarantees from the appropriate federal or state government agency.

- FSA. The bank originated five new loans totaling \$1.8 million since January 1, 1998 under this agency's guaranteed loan program to help farmers obtain credit from local agricultural lenders when they do not otherwise qualify for conventional credit from these sources. The bank had 23 outstanding FSA loans totaling \$3.0 million in its loan portfolio as of September 30, 2000.
- SBA. The bank originated five SBA-guaranteed loans totaling \$535,000 since January 1, 1998. The bank has 19 active SBA loans totaling \$1.6 million in its loan portfolio as of September 30, 2000.
- WHEDA. The bank originated 10 loans for \$1.6 million during the period January 1, 1998 through September 30, 2000 under WHEDA's farm loan programs for farmers who have difficulty qualifying for conventional bank credit. The bank also originated 16 loans for \$1.2 million during the same period under WHEDA's "HOME" loan program, which is targeted to low- and moderate-income first-time homebuyers.
- PECFA. The bank originated 13 PECFA loans for \$1.2 million since January 1, 1998. These loans are used to finance environmental cleanup of certain types of contaminated sites under this State of Wisconsin program.

The bank also offers its "Neighborhood Home Loan Program" (NHLP) throughout its combined assessment area. The NHLP is designed to provide low- and moderate-income households with the opportunity for homeownership by making certain purchase money mortgages available with favorable down payment terms and other beneficial features. The bank has originated 223 loans totaling \$15.7 million under this program between January 1, 1998 and September 30, 2000. These loans have been included in the preceding analysis of the bank's HMDA-reportable lending activity.

Community Development Lending

Discussions with bank management revealed that the only qualified community development loans made by the bank since the previous examination have already been included in the CRA-reportable small business loans evaluated in the preceding discussions. The bank has made no community development loans in amounts greater than \$1 million since the previous examination. Further discussions with bank management, as well as interviews of community representatives during the examination, indicate that there are few opportunities for lenders in the combined assessment area to make qualified community development loans, especially those in amounts greater than \$1 million. There appear to be several reasons for this - there are no low-or moderate-income geographies in the non-MSA assessment area;

low- and moderate-income families are reasonably dispersed throughout the two counties in the non-MSA assessment area; the relatively small sizes of the largest cities in both assessment areas; and the small number of community development lending opportunities that are available due to the large number of competitors. These factors have a negative impact in the ability of the bank to originate such loans.

The absence of any community development loans made by the bank in amounts greater than \$1 million is not unreasonable given the demographic composition of the two assessment areas and the apparently low demand for such loans. This situation is also consistent with the findings of the most recent examination of the bank. Four community representatives contacted during the examination noted that the bank was a leader in the community in many ways; there was no indication that the bank has not been meeting the community development lending needs in the assessment areas.

CONCLUSIONS

Janesville-Beloit Assessment Area Lending Test Conclusion

The bank's overall lending test performance in the Janesville-Beloit assessment area is strong. The bank originates a significant volume of HMDA- and CRA-reportable loans in this assessment area. The number of the bank's HMDA-reportable loan originations in low- and moderate-income census tracts and to low- and moderate-income borrowers in this assessment area is reasonable. Furthermore, the percentage of such loans compared to all of the bank's HMDA-reportable loans has been increasing each year. An important consideration in the bank's performance relative to HMDA-reportable lending is that its lending represents approximately 13% of all such loans made in 1998 and 1999 even though there are more than 100 competing lenders. The bank's lending performance relative to CRA-reportable small business and small farm lending reflects a similar, but stronger pattern. The bank makes a large number of these loans, representing 35% of all reported small business loans and 75% of all reported farm loans. The majority of these loans are in amounts of \$100,000 or less and to businesses and farms with annual revenues of \$1 million or less. The bank's community development lending activity in this assessment area is nominal, with no such loans being in amounts greater than \$1 million. Discussions with bank management, interviews with community representatives, and a review of assessment area demographic information all support the conclusion that the bank's low level of community development lending activity is consistent with the relative lack of demand for such loans. Community representatives contacted during the examination spoke favorably about the bank as a community leader, including its efforts to meet the credit needs of the community.

Non-MSA Assessment Area Lending Test Conclusion

The bank's lending test performance in the non-MSA assessment area is also considered strong. The origination of HMDA-reportable loans to low- and moderate-income borrowers in this assessment area appears reasonable in light of the area's demographic characteristics. The bank's CRA-reportable small business and small farm lending is very strong. The bank originated 23% to 32% of the number and 37% to 49% of the dollar amount of the small business loans reported by all lenders in this assessment area in 1998 and 1999. The bank's farm lending was especially strong, with the bank

originating 67% to 88% of the number and dollar amount of all small farm loans reported by lenders in this assessment area in 1998 and 1999. The majority of the bank's small business and small farm loan originations were in amounts of \$100,000 or less and were made to borrowers with gross annual revenues of \$1 million or less. There were no community development loans made by the bank in this assessment area, which reflects the apparent absence of a demand for these loans.

Overall Bank Lending Test Conclusion

The bank's overall lending test performance is considered *high satisfactory*. The bank's lending performance in its combined assessment area is strong. Furthermore, the bank consistently maintains a high loan-to-deposit ratio, indicating management's willingness and successful efforts at meeting the credit needs of the community. The distribution of the bank's loan portfolio as of September 30, 2000 is evidence that the bank is providing all types of loans to meet the credit demands of the commercial, residential real estate, agricultural, and consumer sectors of the market. A substantial majority of the bank's lending occurs within its combined assessment area, although the bank has expanded its agricultural lending activities beyond these boundaries. The bank's flexible lending practices are evidenced by the type and volume of loans originated in conjunction with various state and federal government-sponsored programs. Community development lending activities are the weakest part of the bank's overall lending performance. Opportunities are relatively few, however, and there is competition from other financial institutions for the limited number of these loans.

INVESTMENT TEST

The bank's investment portfolio, donations, and grants were reviewed and discussed with bank management to assess its investment test performance. Investments were evaluated based on their responsiveness to community development needs and opportunities available within each assessment area.

Interviews with bank management and with community representatives indicate that few qualified investment opportunities exist in the Janesville-Beloit assessment area despite the fact that there are a total of seven low- and moderate-income census tracts, and a significant number of low- and moderate-income families in this assessment area. There are even fewer qualified investment opportunities in the non-MSA assessment area. The reasons for the limited investment opportunities are similar to those noted in the discussion of community development lending, i.e., the lack of large population centers, except for Janesville and Beloit and the absence of low- and moderate-income census tracts in the non-MSA assessment area.

The qualified investments made by the bank are in the form of charitable donations to organizations and entities that qualify under the community development definition of the regulation. These organizations provide affordable housing or medical and other social services to low- and moderate-income individuals and disadvantaged youth. The bank has also made a significant financial commitment to the YMCA in Janesville for the expansion of its facilities, which are located in a low-income census tract.

This expansion will revitalize a low-income census tract and provide space for the local chapter of the Boys and Girls Club, an organization whose national mission statement focuses on providing various activities and services to youth of all backgrounds, with special concern for those from disadvantaged backgrounds. The bank made a total of \$28,675 and \$11,825 in 1999 and 2000, respectively, in qualified donations, all of which were within the Janesville-Beloit assessment area. Community representatives, as previously noted, have recognized the bank for its leadership in the community through its financial and other support of community organizations and activities.

In addition, certain bank donations do not qualify under the regulation; however, these donations demonstrate its financial support to the community. Some of these non-qualifying donations do benefit low- and moderate-income individuals and families; however, the primary purpose of the organization does not meet the requirements of the regulation. In addition, these organizations cannot provide an allocation of how much of the contributed funds actually benefited low- and moderate-income individuals. Examples of these include the United Way, Boys and Girls Clubs, Big Brothers/Big Sisters, YMCA and others. The bank contributed a total of \$66,350 to these types of organizations, including \$47,250 to at least four different United Way campaigns in both assessment areas.

CONCLUSIONS

Janesville-Beloit Assessment Area Investment Test Conclusion

The bank's investment test performance in the Janesville-Beloit assessment area is considered generally strong. The absence of any community development investments by the bank other than charitable donations is the result of limited opportunities available in this assessment area. The volume of the bank's qualified donations appears reasonable, and comments from community representatives add support to the conclusion that the bank's performance is generally strong.

Non-MSA Assessment Area Investment Test Conclusion

The bank's investment test performance in the non-MSA assessment area is generally strong due primarily to the lack of qualified investment opportunities. The bank provides financial support that ultimately benefits low- and moderate-income families in this assessment area through donations to organizations such as the United Way.

Overall Bank Investment Test Conclusion

The bank's overall investment test performance is considered *low satisfactory*. The bank provides a reasonable level of qualified investments consistent with the available opportunities in the two assessment areas. A higher volume of qualified investment activity is to be expected from a bank of this asset size operating in an MSA; however, information obtained from community representatives did not indicate any unmet needs related to the investment test. These representatives held the bank in high regard for its leadership and support of community organizations and activities.

SERVICE TEST

The distribution of the bank’s branches, its record of opening and closing branches, alternate delivery systems, and community development service activities were reviewed and evaluated. The bank’s products and services were also evaluated for range, accessibility, innovativeness, and responsiveness.

Retail Banking Services

M&I Bank South maintains 12 full service branches and 12 ATMs within its two assessment areas. The bank provides a comprehensive selection of deposit and loan products to meet the needs of the consumers, businesses, farms, and other entities operating in these assessment areas. Additional mortgage loan products are made available through the bank’s affiliate, M&I Mortgage Corp. The bank, as an M&I affiliate, offers certain deposit and loan products to serve low- and moderate-income individuals, as well as small businesses and farms, as follows:

- *Basic checking* features no minimum monthly balance and low monthly fees for low-volume check writers.
- *Small business checking* offers affordable monthly fees for small businesses, farms, and organizations with low monthly account activity.
- *Small business checking with interest* offers similar features as the small business checking account with the additional benefit that account balances earn interest. Ownership of this type of account is limited to sole proprietors and qualified not-for-profit organizations.
- *100% home equity line of credit* allows homeowners to access the equity in their residences to meet their various financial needs at a reasonable cost.
- *M&I turbo mortgage refinance* allows homeowners to quickly refinance their existing mortgages at competitive rates with no application fees or points.

Distribution of Branches Among Geographies

The bank’s office locations and hours of operation are detailed in Table 14.

Table 14 M&I BANK SOUTH BANK FACILITIES AND HOURS OF OPERATION					
Branch Name and Address	County Census Tract/BNA Income Designation	Hours of Operation			
		Lobby		Drive-Up	
Janesville Main Office 100 N. Main Street	Rock 0001.00	M-Th	9:00 am – 4:30 pm	M-Th	8:30 am – 5:30 pm
		Friday	9:00 am – 5:30 pm	Friday	8:30 am – 6:00 pm

Table 14 M&I BANK SOUTH BANK FACILITIES AND HOURS OF OPERATION				
Branch Name and Address	County Census Tract/BNA Income Designation	Hours of Operation		
		Lobby		Drive-Up
Janesville, WI 53547	Low			
Janesville Creston Park 1404 Creston Park Drive Janesville, WI 53545	Rock 0007.00 Middle	M-Th 9:00 am – 4:30 pm Friday 9:00 am – 6:00 pm Saturday 8:30 am – Noon	M-Th 7:30 am – 5:30 pm Friday 7:30 am – 7:00 pm Saturday 9:00 am – Noon	
Janesville Mall 2500 Milton Avenue Janesville, WI 53545	Rock 0007.00 Middle	M-Th 9:30 am – 6:00 pm Friday 9:30 am – 7:00 pm Saturday 9:30 am – 3:00 pm	N/A	
Janesville South Side 2608 Center Avenue Janesville, WI 53545	Rock 0014.00 Middle	M-Th 9:00 am – 4:30 pm Friday 9:00 am – 6:00 pm	M-Th 8:30 am – 5:30 pm Friday 8:30 am – 6:00 pm Saturday 9:00 am – Noon	
Beloit Downtown 500 E. Grand Avenue Beloit, WI 53511	Rock 0015.00 Middle	M-Th 8:30 am – 5:00 pm Friday 8:30 am – 6:00 pm <u>Walk-up:</u> M-Fr 8:00 am – 8:30 pm Saturday 9:00 am – Noon	M-Th 8:00 am – 5:00 pm Friday 8:00 am – 6:00 pm Saturday 9:00 am – Noon	
Beloit Prairie Avenue 2850 Prairie Avenue Beloit, WI 53511	Rock 0024.00 Upper	M-Th 9:00 am – 5:00 pm Friday 9:00 am – 6:00 pm Saturday 9:00 am – Noon	M-Th 8:30 am – 5:00 pm Friday 8:30 am – 6:00 pm Saturday 9:00 am – Noon	
Beloit Supermarket 1805 Prairie Avenue Beloit, WI 53511	Rock 0026.01 Middle	M-Fr 9:00 am – 7:00 pm Saturday 8:00 am – 3:00 pm Sunday 10:00 am – 2:00 pm	N/A	
Edgerton 1015 N. Main Street Edgerton, WI 53534	Rock 0030.00 Middle	M-Th 9:00 am – 4:30 pm Friday 9:00 am – 6:00 pm	M-Th 8:30 am – 5:30 pm Friday 8:30 am – 6:00 pm Saturday 9:00 am – Noon	
Evansville 25 N. Madison Street Evansville, WI 53536	Rock 0029.00 Middle	M-Th 9:00 am – 5:00 pm Friday 9:00 am – 5:30 pm Saturday By Appointment	M-Fr 8:00 am – 6:00 pm Saturday 8:00 am – Noon	
Cambridge 102 W. Main Street Cambridge, WI 53523	Dane 0119.00 Middle	M-Fr 9:00 am – 5:00 pm <u>Walk-up:</u> Saturday 8:00 am – Noon	M-Fr 8:00 am – 6:00 pm	
Delavan 104 N. 5 th Street Delavan, WI 53115	Walworth 0007.00 Upper	M-Th 9:00 am – 5:00 pm Friday 9:00 am – 6:00 pm Saturday 9:00 am – Noon	M-Th 8:30 am – 5:00 pm Friday 8:30 am – 6:00 pm Saturday 8:30 am – Noon	
Sharon 114 Plain Street Sharon, WI 53585	Walworth 0006.00 Middle	M-Th 10:00 am – 5:00 pm Friday 10:00 am – 6:00 pm Saturday 9:00 am – Noon	N/A	

N/A – Not applicable

Table 14 indicates that the bank maintains reasonable hours of operation for its branches, including Saturday hours until 3:00 P.M. at the Janesville Mall and Beloit Supermarket branches. The Beloit Supermarket location also maintains Sunday business hours. The absence of Saturday business hours at the Janesville Main Office, which is situated in a low-income census tract, is reasonable due to its

location in downtown Janesville's commercial district. Furthermore, customers of this branch who need access to their accounts on Saturdays may use any of the other three Janesville branch locations, all of which maintain Saturday business hours and are located within three miles of the main office. None of the bank's branch offices are located in the six moderate-income census tracts in the Janesville-Beloit assessment area; however, these areas are reasonably served by certain nearby branches. The Janesville Main Office and South Side branch serve Janesville's two moderate-income census tracts; each of the three Beloit branches serves one or more of Beloit's three moderate-income census tracts; and the Edgerton office serves the moderate-income census tract in Dane County.

The bank operates four full-service and eight cash-dispensing ATMs. Ten of these ATMs are on-site at bank branch offices; only the Janesville South Side and Sharon locations do not have an on-site ATM. One ATM is located in a low-income census tract and another is located in a moderate-income census tract.

Record of Opening and Closing Offices

The bank has not opened any new branches since the previous examination; however, it did sell its Lake Geneva branch in 1998 to its affiliate, M&I Marshall & Ilsley Bank. This branch sale did not adversely affect the availability of banking services to the residents of the Lake Geneva area since this office continues to be operated by the purchaser, which offers essentially the same products and services as M&I Bank South.

Alternative Systems for Delivering Retail Banking Services

The bank is an affiliate of M&I banks that operate throughout Wisconsin. All M&I banks share the following alternate delivery systems for their retail customers:

- The M&I network of over 200 retail offices and over 200 ATMs may be used by any M&I bank affiliate customer to conduct banking transactions without charge, including making deposits, withdrawals, and loan payments.
- MiLine is an automated voice response system that can be accessed 24 hours each day to obtain account information and transfer funds between accounts.
- MiDirect provides around the clock access to banking representatives to inquire about deposit and loan products and other services offered by the bank, place stop payments on checks issued, apply for a loan, or conduct selected other banking activities.
- MiWeb provides electronic access for customers to their accounts through the use of a personal computer. Customers may use bill payment services as well as online money management tools in addition to the services available on MiLine.

Community Development Services

Bank management encourages its directors, officers, and employees to volunteer their time and efforts in support of local community organizations. The result is that a number of bank personnel are actively involved in leadership capacities, including service as an officer, director, or committee member for many organizations that provide community development services. Community representatives contacted during the examination noted that M&I Bank South is a leader in supporting community activities and organizations through the financial support it provides, as well as through the involvement of bank personnel in service to these groups. Examples of such organizations and activities that benefit from the services provided by bank personnel include Habitat for Humanity, Neighborhood Housing Services, AWARE, Beloit Area Community Health Center, the United Way (various chapters in the joint assessment area), Mercy Assisted Care, Forward Janesville, Beloit Economic Development Corp., Rock County Development Corp., the Lazarus Foundation, Urban Economic Development Association, and the Personal Economics Program.

The bank also works with C-CAP, Inc., a regional not-for-profit organization that addresses affordable housing issues for low- and moderate-income families. The bank refers its low- and moderate-income customers to C-CAP, Inc. with the purpose of helping them obtain grants, which may be used for down payment and/or closing costs. The bank frequently originates the permanent mortgage for these customers. Any such mortgage loans have been included in the bank's NHLP and HMDA-reportable lending data discussed previously.

CONCLUSION

Separate conclusions for each of the two assessment areas will not be provided since the majority of the information utilized in evaluating the bank's service test performance is the same for both assessment areas.

Overall bank Conclusion on the Service Test

The bank's performance relative to the service test is considered *high satisfactory*. The bank's variety of deposit and mortgage products are readily available to and accessible by its customers in the combined assessment area as a result of the bank's branch network, ATMs, and alternate delivery systems. Bank hours are reasonable, and the sale of one branch to an affiliate did not negatively impact the availability of banking services to residents in the vicinity of that office. Community development services provided by bank personnel are generally strong; community representatives confirm the bank's leadership in this area.

GENERAL

The bank is in compliance with the substantive portions of antidiscrimination laws and regulations, including the Equal Credit Opportunity and Fair Housing Acts. A significant portion of consumer loan underwriting has been centralized, which has been reviewed in a separate examination of centralized loan underwriting functions. The bank has developed standards, policies, and practices in compliance with the regulations and has applied them in a consistent manner. Interviews with community representatives revealed no evidence of prohibited discriminatory lending activity.