

## **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 of Southern Wisconsin, Madison, 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 Outstanding.

M&I Bank of Southern Wisconsin has an excellent record of serving its combined assessment area based on an evaluation of its lending activities, qualified investments, and services activities. The bank's overall lending performance is very strong as determined by a review of various aspects of its lending activities. A review of the bank's loan portfolio indicates that all significant market segments of borrowers – commercial, agricultural, consumer and real estate – are being served through the products offered by the bank and through its affiliate, M&I Mortgage Corp. A substantial majority of HMDA-reportable and CRA-reportable small business and small farm loans were made in the bank's combined assessment area. The bank's loan-to-deposit ratio is high and consistently exceeds its nationwide peer group and most of its competitors, which further evidences the bank's commitment to serving the credit needs of its combined assessment area. The bank's lending performance in each of its two assessment areas is strong, with the bank's loan volumes consistently representing a significant portion of all loans made by all reporting lenders in the aggregate. Community development lending and innovative and flexible lending practices include a large number and dollar amount of loans made by the bank. Community development investment activity in the Madison assessment area was strong, while such activity in the non-MSA assessment area was reasonable in light of the limited number of opportunities available. Banking products and services meet the needs of the community and are readily accessible to customers through the bank's network of branches, automated teller machines, and alternate delivery systems. A significant level of community development services is provided through the activities of the bank's directors, officers and employees. The sale of three branch offices to other financial institutions did not adversely impact residents of the assessment area. 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 of Southern Wisconsin, Madison, Wisconsin** with respect to the lending, investment and service tests. Based on the component test ratings for large banks, the assigned composite rating is *Outstanding*.

M&I BANK OF SOUTHERN WISCONSIN			
Performance Levels	Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding	X		
High Satisfactory		X	X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

*\*Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.*

**DESCRIPTION OF INSTITUTION**

M&I Bank of Southern Wisconsin, with total assets of \$2.6 billion as of June 30, 2000, is a wholly-owned subsidiary of Marshall & Ilsley Corporation, a multi-bank holding company located in Milwaukee, Wisconsin. The bank operates a total of 26 branch offices – 18 branches, including its main office located in downtown Madison, in Dane County, four branches in Sauk County, two branches in Richland County, and one branch each in Grant and Iowa counties. Six of the branches in Dane County and one branch each in Sauk and Richland counties are drive-up banking facilities that do not accept loan applications; the other 18 branches are full-service locations. The bank also operates 47 automated teller machines (ATMs) within the bank's assessment areas – 39 in Dane County, three in Iowa County, two each in Sauk and Richland Counties, and one in Grant County. The bank also has an office in the Cayman Islands, which is utilized for offshore investments; it is not a retail branch. The bank's CRA performance was most recently evaluated on December 26, 1997 at which time it was rated outstanding.

The bank is a full-service institution offering a broad range of commercial, real estate, consumer, and agricultural loans and lines of credit. The bank's consolidated report of condition as of June 30, 2000 reveals that commercial loans, including those secured by real estate, constitute 51.9% of the loan portfolio, while residential real estate loans secured by 1-4 family housing units represent 42.3% of the loan portfolio. Consumer loans and agricultural loans represent 3.4% and 2.4%, respectively, of the loan portfolio. The bank participates in certain government-assisted loan programs including those offered by the Federal Housing Administration (FHA), Veterans Administration (VA), Farm Service Administration (FSA), Small Business Administration (SBA), the State of Wisconsin's Petroleum Environmental Cleanup Fund Act (PECFA), and the Wisconsin Housing and Economic Development Authority (WHEDA). In addition, a variety of mortgage loan products are offered to the bank's customers through its affiliate, M&I Mortgage Corp. There are no factors relative to the bank's financial condition, size or local economic conditions that would prevent it from meeting its community's credit needs.

The bank faces significant competition, especially in Dane County, from a variety of banks, thrift institutions, credit unions, mortgage companies, and other financial intermediaries that operate facilities within the counties served by the bank. Table 1 identifies the banks that management has identified as providing the most competition for deposits and loans in the bank's combined assessment area.

<b>Table 1</b>	
<b>M&amp;I BANK OF SOUTHERN WISCONSIN'S COMPETITORS</b>	
<b>Bank Name/Headquarters</b>	<b>Location of Competing Branches</b>
Bank One, Wisconsin/Milwaukee	Madison (7 locations)
Firststar Bank, N.A./Cincinnati	Madison (7 locations), Sun Prairie, Waunakee
Wells Fargo Bank, N.A. <sup>(1)</sup> /Milwaukee	Madison (3 locations), Dodge, Middleton, Stoughton
Associated Bank South Central/Madison.	Madison (2 locations), Middleton, Dane, Reedsburg (2 locations), Logansville
Johnson Bank/Racine	Madison
Middleton Community Bank/Middleton	Middleton
Capitol Bank/Madison	Madison
First Business Bank/Madison	Madison
The Park Bank/Madison	Madison (9 locations)
Monona State Bank/Monona	Monona
Community National Bank/Oregon	Oregon
<i>(1) Formerly known as Norwest Bank Wisconsin, N.A.</i>	

Additional financial institutions, credit unions, and other credit providers operating in the bank’s combined assessment area include, but are not limited to AnchorBank, S.S.B.; First Federal Savings Bank LaCrosse-Madison; Heartland Credit Union; Home Savings Bank; State Capitol Credit Union; University of Wisconsin Credit Union; The Reedsburg Bank; Richland County Bank; and Farm Credit Services.

**DESCRIPTION OF M&I BANK OF SOUTHERN WISCONSIN'S ASSESSMENT AREAS**

The bank has identified two assessment areas – the Madison assessment area, which includes all of Dane County (i.e., the Madison Metropolitan Statistical Area (MSA)), and the non-MSA assessment area, which includes four contiguous counties (Sauk, Richland, Iowa, and Grant). These two assessment areas together consist of 122 geographies (census tracts or block numbering areas (BNAs)) including seven low-income, 15 moderate-income, 82 middle-income and 18 upper-income geographies. Two of the low-income geographies have no population. All of the low-, moderate- and upper-income geographies are in the Madison assessment area, while all of the geographies in the non-MSA assessment area are designated as middle-income. There have been no changes in the bank’s combined assessment area since the previous examination.

The combined assessment area has a population of 500,995 based on 1990 census data. Recent estimates by the State of Wisconsin’s Department of Administration indicate that the population of the combined assessment area has grown to almost 563,000 as of January 1, 2000, an increase of 12.3% since 1990. Selected demographic information for each assessment area, for the State of Wisconsin

(State) overall, and for all non-metropolitan areas of the State, is provided in Table 2.

<b>Table 2</b> <b>M&amp;I BANK OF SOUTHERN WISCONSIN</b> <b>SUMMARY OF POPULATION AND MEDIAN FAMILY INCOME LEVEL</b>							
Area	Population		Percentage of Families By 1990 Median Family Income Level				
	1990 Census	2000 Estimate <sup>(1)</sup>	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Below Poverty Level
<b>Assessment Areas:</b>							
Madison	367,085	418,978	15.8	19.7	28.3	36.2	4.8
Non-MSA	133,910	143,868	16.9	20.3	26.4	36.4	8.0
Combined	500,995	562,846	16.1	19.9	27.7	36.3	5.7
<b>State:</b>							
All	4,891,769	5,309,996	17.9	18.7	26.5	36.9	7.6
Non-metropolitan areas	1,560,597	N/A	17.5	19.5	25.5	37.5	7.9

*(1) State of Wisconsin Department of Administration estimates  
N/A = Not available*

The information in Table 2 indicates that the Madison assessment area experienced population growth of almost 52,000, a 14.1% increase since 1990, while the non-MSA assessment area grew by almost 10,000 individuals, an increase of 7.4%. These population growth rates compare to 8.5% for the entire state since 1990. Table 2 also indicates that the percentage distribution of families by 1990 median family income level is comparable among all of the areas included in the table. The only significant difference is that the percentage of families with incomes below the poverty level is noticeably lower in the Madison assessment area (4.8%) compared to the other areas shown in the table (ranging from 7.6% to 8.0%).

Economic conditions in the bank’s combined assessment area have generally been strong, although there are signs of some weakening in recent months based on increases in unemployment rates. Table 3 provides information concerning certain economic indicators for both of the bank’s assessment areas, the state overall, and all non-metropolitan areas of the state. Information for each of the four counties that comprise the non-MSA assessment area is provided since certain information is available only at the county level.

Area	Median Family Income (\$)		Unemployment <sup>(1)</sup> (%)		Housing Values (\$)		1990 Housing Affordability Index <sup>(6)</sup>
	1990 <sup>(2)</sup>	2000 Estimate <sup>(3)</sup>	Sept. 1999	Sept. 2000	1990 Median Housing Value <sup>(2)</sup>	1999 Median Sales Price <sup>(4)</sup>	
Madison assessment area	41,529	64,700	1.1	1.5	77,950	141,100	1.88
Non-MSA assessment area	29,973	N/A	N/A	N/A	47,480	N/A	1.58
Sauk County	31,442	47,800	1.7	2.3	55,246	105,900	1.76
Richland County	26,165	43,000	2.1	4.3	40,094	N/A	1.53
Iowa County	30,273	55,000	1.9	2.2	46,496	<sup>(5)</sup>	1.54
Grant County	29,472	46,800	2.5	3.2	43,438	N/A	1.47
Combined assessment area	37,797	N/A	N/A	N/A	70,639	N/A	1.87
State – All	35,082	54,300	2.6	3.2	62,141	N/A	1.77
State – Non-metro areas	30,290	46,700	N/A	N/A	50,092	N/A	1.65

*(1) Source of this unemployment data is the State of Wisconsin Department of Workforce Development.*  
*(2) Information according to 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 median sales prices for the second and fourth quarters of 1999 are not available. The median sales prices for the first and third quarters of 1999 were \$100,000 and \$92,500, respectively, based on sales of 22 and 51 units, respectively.*  
*(6) The housing affordability index is calculated by dividing the median housing value by the median family income. A higher number indicates decreased housing affordability.*  
 N/A – Not Available

There is a significant difference in the median family income of the Madison assessment area compared to the non-MSA assessment area. This disparity is primarily due to the fact that the Madison assessment area is an urban market that is dominated by the presence of the University of Wisconsin, the State Capital, and high-tech and other industries, whereas the non-MSA assessment area is primarily agricultural in nature. Median family income in the Madison assessment area increased by 55.8% since 1990, which is consistent with the state's increase of 54.8%. The individual counties that comprise the non-MSA assessment area; however, experienced widely varied percentage increases in their median family incomes. Sauk and Grant counties experienced increases of 52.0% and 58.8% in their median family incomes since 1990, which are reasonably consistent with the increase of 54.2% experienced by all non-metropolitan areas of the state. Richland and Iowa counties, however, had increases in their median family incomes of 64.3% and 81.7% since 1990. No readily identifiable causes for Richland County's higher growth rate could be ascertained through discussions with bank management. The unusually high increase in Iowa County is attributable to the fact that Lands' End, Inc., a major clothing retailer, relocated its national headquarters to Dodgeville, Wisconsin, during the 1990's, bringing a significant number of non-farm jobs, as well as the company's corporate executives, to the county.

Information provided in Table 3 indicates that unemployment rates have increased in all five counties of the combined assessment area and for the state overall between September 1999 and September 2000. Current unemployment rates in the combined assessment area, nevertheless, are generally low by historical standards and compare favorably with state unemployment data. The monthly unemployment rate in the Madison assessment area, in fact, has not exceeded 2.0% in over three years, indicating a very strong labor market there, despite the recent increase. Richland County, on the other hand, has seen its unemployment rate more than double in the last year. Further analysis of this information has identified two reasons for this change between years. First, a local business, O’Bryan Brothers, with approximately 150 employees, went out of business in August 2000. This event alone would have increased the unemployment rate for September 2000 from 2.5% to the reported 4.3% if all 150 displaced employees of the company were reported as unemployed. Second, the unemployment figures for September 1999 appear to be unusually low. In particular, the reported labor force for that month was significantly lower than the labor force for either August or October 1999 and was also low compared to the labor force in September 1998 and September 2000. Thus, the September 1999 unemployment figure of 2.1% may be an anomaly, that is, it is not consistent with other comparable months. The increases in the unemployment rates for the other counties in the combined assessment area are consistent with increases in the statewide unemployment rate.

Housing values in the Madison assessment area have increased significantly since 1990, as measured by the median sales price of homes sold in 1999 compared to median housing values from the 1990 census data. The median sales price for homes sold in 1999 was \$141,100 in the Madison assessment area, which represents an increase of 81% over the 1990 median housing value. The rate of growth in housing values has been greater than the rate of growth in the median family income in the Madison assessment area. As a result, the housing affordability index for the Madison assessment area, which was already higher than the index for the state, has increased, making housing even less affordable than in the past. Recent housing sales price information is not readily available for all of the counties that comprise the non-MSA assessment area. The information that is available, however, reveals that housing values have increased by over 90% since 1990 in Sauk County and by 100% or more in Iowa County. Information included in Table 3 indicates that housing is significantly more affordable in relation to median family income in the non-MSA assessment area than in the Madison assessment area.

Additional housing-related demographic information in the assessment areas, the state, and all non-metropolitan areas of the state, based on 1990 census data is provided in Table 4.

<b>Table 4</b> <b>M&amp;I BANK OF SOUTHERN WISCONSIN</b> <b>ASSESSMENT AREA HOUSING DATA BASED ON 1990 CENSUS DATA</b>							
Area	Housing Units						Median Gross Monthly Rent
	Total Number Available	Owner-Occupied (%)	Rental (%)	Vacant (%)	Median Age (Years)	Built Pre-1950 (%)	



Area	Housing Units						Median Gross Monthly Rent
	Total Number Available	Owner- Occupied (%)	Rental (%)	Vacant (%)	Median Age (Years)	Built Pre-1950 (%)	
Madison assessment area	147,851	53.3	43.3	3.4	35	26.3	\$465
Non-MSA assessment area	54,434	64.0	25.8	10.2	46	45.4	\$323
Combined assessment area	202,285	56.2	38.6	5.3	34	31.5	\$444
State – All	2,055,774	59.1	29.5	11.4	47	36.8	\$399
State – Non-metropolitan areas	750,456	57.1	20.0	22.9	30	38.6	\$327

The Madison assessment area has a lower owner-occupancy rate than the other areas compared in Table 4. This is primarily due to two factors: the presence of the main campus of the University of Wisconsin in Madison, and the presence of a number of low- and moderate-income census neighborhoods, in which multi-family housing is the predominant residential structure. Median gross monthly rents shown in Table 4, although not current, provide an indication of the relative cost of rental housing in the various areas. Rents are highest in the Madison assessment area due to the high demands for rental housing related to the presence of the university; also increasing home prices place a greater demand on rental housing, forcing rents higher as well. Rents in the Non-MSA assessment area are comparable with non-metropolitan areas of the state. The median age of homes in both assessment areas is 35 and 46 years, respectively, indicating a projected demand for home improvement loans.

### **Description of the Madison Assessment Area**

The Madison assessment area includes all 88 census tracts that comprise the Madison MSA (all of Dane County). The income designation of these census tracts includes seven low-, 15 moderate-, 48 middle- and 18 upper-income tracts. Two of the low-income census tracts are unpopulated. The largest city in the assessment area is Madison, with a population of 207,248 as of January 1, 2000, which represents approximately 50% of the population of the assessment area at that date. Other large cities in the assessment area include Sun Prairie (19,987), Fitchburg (18,925), Middleton (16,129), and Stoughton (11,136). The bank serves this assessment area through a total of 18 branch offices, including 12 full-service offices and six drive-up facilities that do not accept loan applications. Three offices, including the bank's main office in downtown Madison, are located in moderate-income census tracts. The bank also maintains 39 ATMs in this assessment area, including 17 that are on-site at branch offices and 22 that are in off-site locations.

The Madison assessment area is a very important market for the bank, as evidenced by the fact that 85.7% of its total deposits at June 30, 1999 are generated from this area. Furthermore, the bank is a significant financial institution in the Madison assessment area, as evidenced by the fact that it holds over \$1.4 billion in FDIC-insured deposits in Dane County as of June 30, 1999. These deposits represent

23.6% of all such FDIC-insured deposits in Dane County and rank the bank first out of 36 reporting institutions as of June 30, 1999, the last date for which such information was available.

Economic conditions in the Madison assessment area are very strong at this time. Estimated median family income at January 1, 2000 is \$64,700, which represents an increase of 56% since 1990, and is the highest median family income of all MSAs in Wisconsin. In fact, the median family income for the Madison assessment area is the third highest in the Seventh Federal Reserve District, which includes all or most of Wisconsin, Iowa, Illinois, Indiana, and lower Michigan. Unemployment rates in Madison, as previously noted, are consistently very low, having been under 2.0% for over three years. The 1.5% unemployment rate for September 2000, while higher than the 1.1% rate of a year earlier, is still the lowest rate reported for the assessment area in the year 2000. It also compares favorably with the state's unemployment rate for September 2000 of 3.2%. Housing values, based on recent home sales reported by the Wisconsin Realtors Association, have been strong and growing. The median sales price of homes sold in Dane County in 1999 was \$141,100, which is an increase of 19% over the median sales price of homes sold in 1997. Furthermore, the median sales price of homes sold in the first and second quarters of 2000 were \$144,500 and \$148,400, respectively.

The Madison assessment area provides many employment opportunities to the residents of Dane County and surrounding counties. Three of the largest industry groups in the Madison area include: government workers, due to the fact that the city of Madison is the state capital, the county seat, and the largest city in the county; educational services, due to the presence of the University of Wisconsin, a number of other local colleges, and the Madison Metropolitan School District; and health services due, to the presence of the University of Wisconsin Hospital and clinics and Meritor Hospital. Other companies in the services segment of the labor market also provide a large number of employment opportunities in the assessment area.

A community representative contacted during the examination noted that unemployment rates in the Madison assessment area are low due to strong growth and expansion in the business community. These figures, however, do not reflect the fact that some people are not earning a living wage. People in this situation are often those who were required to find jobs under the state's "welfare to work" program, which has been in effect for a number of years. The economy is undeniably strong; however, there are also pockets of economic need in the community. Rising housing prices contribute to this "living wage" problem, as well.

### **Description of the Non-MSA Assessment Area**

The non-MSA assessment area consists of all 34 middle-income BNAs that comprise Sauk, Richland, Iowa and Grant counties. The population of this assessment area has grown by 7.4% since 1990; however, a review of this information on a county-by-county basis indicates that this growth has been uneven. Sauk and Iowa counties have grown by 13.6% and 11.1%, respectively, while Richland and Grant counties have grown at much slower rates of 2.3% and 1.9%, respectively. The largest communities in each county, with the estimated 2000 population shown in parentheses, include

Reedsburg (7,501) in Sauk County, Richland Center (5,190) in Richland County, Dodgeville (4,388) in Iowa County, and Platteville (10,121) in Grant County. The bank serves this assessment area through four branches (three of which are full-service) and two ATMs in Sauk County, two branches (one is full-service) and two ATMs in Richland County, one full-service branch and three ATMs in Iowa County, and one full-service branch and one ATM in Grant County.

The non-MSA assessment area represents 14.3% of the bank's deposits as of June 30, 1999. A review of all FDIC-insured deposits in the non-MSA assessment area at that date indicates that the bank is ranked second out of eight institutions in Richland County, third out of 12 institutions in Sauk County, fourth out of eight institutions in Iowa County, and ninth out of 14 institutions in Grant County, based on the amount of FDIC-insured deposits held by the bank compared to all FDIC-insured deposits in each county.

This assessment area is primarily an agricultural area, with a significant focus on dairy farming. Non-farm job opportunities also exist within the assessment area, mostly concentrated in the larger cities. Economic indicators reflect a good economy in general. The median family income in Iowa, Richland, and Grant counties has grown by approximately 59% to 82% since 1990, growth rates well in excess of the 54% rate for all non-metropolitan areas of the state. Median family income in Sauk County grew by 52%. Housing values have increased by 80% to 100%, or more, over 1990 values, based on available home sales data. Recent unemployment rate information may be signaling a possible slowdown in the strong economic conditions that have dominated the area for the past several years. Unemployment rates in all four counties for September 2000 are higher than for the comparable period in 1999. Nevertheless, the September 2000 unemployment rates of 2.3% and 2.2% for Sauk and Iowa counties, respectively, are the lowest monthly rates reported for each county in 2000. The 3.2% unemployment rate reported for Grant County is among the lowest monthly rates reported in 2000. The 4.3% unemployment rate reported for Richland County is higher than normal and appears to be due primarily to the August 2000 closing of a local business that employed 150.

By far the single largest employer in the non-MSA assessment area is Lands' End, Inc., which provides a significant number of jobs in both Iowa and Sauk counties. Other large employers include Allen Bradley and county government in Richland County; Grede Foundries, Sysco Corporation, Cardinal IG Company, and Flambeau Corporation in Sauk County; and Philips Electronics, the University of Wisconsin-Platteville, and county government in Grant County.

A community representative contacted during the examination stated that the dairy farming industry has experienced a significant downturn in the past two years due to declining milk prices. The presence of Lands' End, Inc. in Iowa County has provided much needed off-farm job opportunities for members of the agricultural community. The representative noted that the bank was not a significant agricultural lender in Iowa and Sauk counties due to strong competition from Farm Credit Services and local financial institutions. The representative did state that the bank has a significant agricultural lending presence in Richland and Grant counties.

## 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 bank's performance under the lending test was evaluated through a review of the bank's quarterly Consolidated Reports of Condition and Uniform Bank Performance Reports (UBPRs) for the bank and its competitors. Furthermore, the bank's internal analyses of its 1998, 1999 and six-month year-to-date 2000 Home Mortgage Disclosure Act (HMDA)-reportable loans and 1998 and 1999 CRA-reportable loans were reviewed and evaluated. Interviews of bank management and community representatives were conducted to identify community development lending opportunities in the bank's assessment areas. 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 and in providing community development loans.

The loan analyses included in this evaluation revealed that HMDA-reportable loan volumes decreased significantly between 1998 and 1999 for the bank and for all lenders in the aggregate. This is due to an unusually high demand for mortgage loan refinancings in 1998, when interest rates were low, followed by a decline in this demand in 1999 when interest rates moved higher.

### Lending Volume

A review of the bank's quarterly loan-to-deposit ratios for the ten quarters ended June 30, 2000, as reported in the bank's UBPRs, revealed that the ratio has increased from 86.1% at March 31, 1998 to 105.3% at June 30, 2000. The bank's average loan-to-deposit ratio during this period was 95.7%. The bank's loan-to-deposit ratio at June 30, 2000 and the 10-quarter average ratio compare favorably with the bank competitors identified by management in the combined assessment area and with the bank's nationwide peer group. Table 5 summarizes this information, including the asset size as of June 30, 2000 for each institution. It should be noted that none of the competitors identified in Table 5 are similarly situated with the bank due to widely varied asset sizes and assessment areas that are not identical with the bank's two assessment areas. The information in Table 5 related to these competitors provides a frame of reference for evaluating the bank's overall lending activities.

<b>Table 5</b>			
<b>M&amp;I BANK OF SOUTHERN WISCONSIN</b>			
<b>LOAN-TO-DEPOSIT RATIO OF THE BANK,</b>			
<b>ITS LOCAL COMPETITORS AND ITS NATIONWIDE PEER GROUP</b>			
<b>Institution</b>	<b>Assets at 06-30-00 (\$Millions)</b>	<b>Loan-to-Deposit Ratio</b>	
		<b>At 06-30-00</b>	<b>10-Qtr Average <sup>(1)</sup></b>
Bank One, Wisconsin	8,106.1	129.6%	125.9%
<b>M&amp;I Bank of Southern Wisconsin</b>	<b>2,644.7</b>	<b>105.3%</b>	<b>95.7%</b>
Middleton Community Bank	77.8	95.4%	94.6%
Firststar Bank, N.A.	53,399.1	95.0%	93.6%
Capitol Bank	86.9	97.5%	93.2%
First Business Bank	275.7	93.3%	89.0%
Johnson Bank	1,330.2	90.2%	86.5%
The Park Bank	211.6	96.4%	86.1%
Associated Bank South Central	989.4	88.9%	85.7%
Monona State Bank	149.7	88.8%	82.9%
Nationwide Peer Group	N/A	84.6%	81.5%
Community National Bank	99.2	83.2%	81.3%
Wells Fargo Bank, N.A.	2,205.2	68.2%	59.6%
<i>(1) The 10-quarter average covers the period March 31, 1998 through June 30, 2000.</i>			
<i>N/A – Not applicable</i>			

A review of the bank's consolidated reports of condition revealed that the bank's loan portfolio increased by \$460 million from March 31, 1998 to June 30, 2000 while total assets increased by \$499 million and total deposits increased by \$115 million during the same period. This illustrates bank management's commitment to providing loans to the community. Furthermore, a significant number of mortgage loans are made on behalf of the bank by its affiliate, M&I Mortgage Corp., in addition to those mortgage loans that are retained in its loan portfolio. These affiliate loans, which are not reflected in the loan-to-deposit ratios shown for the bank in Table 5, include 2,949 loans totaling \$403.2 million in 1998, 1,043 loans totaling \$147.2 million in 1999, and 201 loans totaling \$25.8 million during the first six months of 2000.

The composition of the bank's loan portfolio, by loan category, as of June 30, 2000 is presented in Table 6.

<b>Table 6</b>		
<b>M&amp;I BANK OF SOUTHERN WISCONSIN</b>		
<b>COMPOSITION OF LOAN PORTFOLIO AT JUNE 30, 2000</b>		
<b>Loan Type</b>	<b>\$(000)</b>	<b>%</b>
Real Estate Loans:		
Construction/land development	81,312	4.1
Secured by farmland	28,070	1.4
Revolving open-end (1-4 family)	64,904	3.3
Residential (1-4 family)	776,078	39.0
Multi-family	148,816	7.5
Commercial	410,987	20.6
Total real estate loans	1,510,167	75.9
Agricultural loans	20,219	1.0
Commercial and industrial loans	367,482	18.5
Credit cards	23,304	1.2
Consumer loans	44,464	2.2
States and political subdivisions	7,064	0.4
All other (excludes consumer loans)	16,829	0.8
Total all loans	1,989,529	100.0

Almost 76% of the bank's loan portfolio at June 30, 2000 is secured by various classifications of real estate. Loans involving residential properties, i.e., revolving open-end, residential, and multi-family loans, represent 49.8% of the loan portfolio at June 30, 2000. Loans with a commercial purpose, which include construction/land development, commercial real estate, commercial and industrial, states and political subdivisions, and all other loans, represent 44.4% of the loan portfolio. Consumer loans, including credit cards, represent 3.4% of the loan portfolio, while agricultural loans, including loans secured by farmland, represent 2.4% of the loan portfolio. Consumer loans made by the bank are more significant than the above percentages indicate since the dollar amount of the typical consumer loan is generally much smaller than most commercial or residential real estate loans.

The bank's high loan-to-deposit ratios, the overall growth in its loan portfolio, and the volume of mortgage loans made through its affiliate, together reflect an excellent responsiveness by the bank in meeting the credit needs of the community by making credit available to the consumers, businesses, farms, and organizations in its combined assessment area.

### **Lending in the Combined Assessment Area**

Analysts at the bank's parent company routinely prepare analyses of the bank's lending patterns and activities. These analyses were utilized in evaluating the bank's performance under the lending test of

the CRA, including its lending in its combined assessment area. The analysis of HMDA-reportable lending in this performance evaluation includes loan activity of M&I Mortgage Corp. based upon loan applications referred by the bank. The bank's HMDA- and CRA-reportable small business and small farm lending in its combined assessment area is summarized in Table 7.

Loan Year and Type	Total Number of Loans	Loans Made Within the Combined Assessment Area	
		Number	Percent
1998 HMDA-reportable loans <sup>(1)</sup>	5,953	5,353	89.9
1999 HMDA-reportable loans <sup>(1)</sup>	4,288	3,713	86.6
2000 HMDA-reportable loans through 6/30/00 <sup>(1)</sup>	1,665	1,416	85.0
1998 CRA-reportable small business loans	1,679	1,568	93.4
1999 CRA-reportable small business loans	1,322	1,233	93.3
1998 CRA-reportable small farm loans	1,180	1,125	95.3
1999 CRA-reportable small farm loans	624	599	96.0
Totals	16,711	15,007	89.8
<i>(1) Includes mortgage loans made by the bank as well as loans made by M&amp;I Mortgage Corp. based on applications referred by the bank.</i>			

Table 7 indicates that almost 90% of over 16,700 of the bank's HMDA- and CRA-reportable loans were originated in the bank's combined assessment area. The bank's CRA-reportable small business and small farm lending is especially strong in this regard, with 93% to 96% of its loans originated in its combined assessment area. These figures reflect an excellent level of bank lending performance in meeting the mortgage, commercial, and agricultural credit needs of its customers in its combined assessment area.

### **Geographic Distribution**

A geographic distribution analysis involves an evaluation of the bank's lending activity in low- and moderate-income geographies within its combined assessment area. The following geographic distribution analysis includes HMDA-reportable loans and CRA-reportable small business loans made in the Madison assessment area only. There is no geographic distribution analysis of loans in the non-MSA assessment area since there are no low- or moderate-income geographies in this area. Small farm lending in the Madison assessment area is also excluded from this geographic distribution analysis since the volume of such loans is small and since all of the low-income census tracts and all but two of the moderate-income census tracts are in urban sections of the assessment area where farm lending is limited. Thus, a geographic distribution of small farm loans in the Madison assessment area would not be informative.

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 census tracts.

## Madison Assessment Area

### HMDA-Reportable Lending

The bank originates a significant number of HMDA-reportable mortgage loans in the Madison assessment area, as evidenced by the fact that it represented 14.3% and 17.1% of all such loans made by all lenders in the aggregate in 1998 and 1999, respectively. There were a total of 166 reporting lenders in 1998 and 148 in 1999. Table 8 summarizes the bank's 1998, 1999 and year-to-date 2000 HMDA-reportable loans, sorted by census tract income designation, as well as 1998 and 1999 aggregate lending data for all other HMDA reporters in the Madison assessment area.

<b>Table 8</b>										
<b>M&amp;I BANK OF SOUTHERN WISCONSIN</b>										
<b>GEOGRAPHIC DISTRIBUTION ANALYSIS OF</b>										
<b>HMDA-REPORTABLE LOANS IN THE MADISON ASSESSMENT AREA</b>										
<b>Census Tract Income Designation</b>	<b>M&amp;I Bank of Southern Wisconsin's HMDA Loans</b>						<b>Aggregate Lending Data <sup>(2)</sup></b>			
	<b>1998</b>		<b>1999</b>		<b>2000 <sup>(1)</sup></b>		<b>1998</b>		<b>1999</b>	
	#	%	#	%	#	%	#	%	#	%
Low-income	23	0.5	17	0.5	11	0.9	243	0.9	171	1.1
Moderate-income	514	11.2	457	14.2	169	13.5	3,568	12.9	2,286	14.6
Middle-income	2,853	62.0	1,960	60.7	787	62.9	18,888	68.3	10,512	67.4
Upper-income	1,212	26.3	793	24.6	284	22.7	4,944	17.9	2,640	16.9
Totals	4,602	100.0	3,227	100.0	1,251	100.0	27,643	100.0	15,609	100.0

(1) Includes activity reported through June 30, 2000.  
(2) Aggregate lending data includes all loan originations of all HMDA-reportable lenders in the Madison assessment area, excluding M&I Bank of Southern Wisconsin.

Table 8 reveals that the percentages of loans made by the bank in low- and moderate-income census tracts are comparable with the percentages of loans made by other lenders in the aggregate. It is important to note that bank lending represented 9% to 14% of all HMDA-reportable lending in low- and moderate-income census tracts, respectively, for 1998 and 1999 combined, although there were 147 to 165 other lenders competing for these loans.

A closer look at the information provided in Table 8 reveals that the number of loans made in low-income census tracts by the bank and by all lenders in the aggregate is very small relative to the total volume of mortgage loan activity each year. This is attributable to certain 1990 census demographic characteristics of these geographies that limit the number of mortgage lending opportunities there. Two of the seven low-income census tracts have no population, and another one, which includes the downtown area of the City of Madison, have no owner-occupied housing units. The remaining four low-income census tracts have a combined total of only 991 owner-occupied housing units available. Thus, there are relatively few opportunities to originate mortgage loans in the low-income census tracts



in the assessment area.

The bank's geographic distribution performance relative to HMDA-reportable lending in the Madison assessment area is strong.

### Small Business Lending

The bank also provides a significant volume of small business loans in the Madison assessment area, representing 12.7% and 14.5% of all such loans made by all lenders in the aggregate in 1998 and 1999, respectively. Table 9 details information concerning 1998 and 1999 small business lending activity, sorted by census tract income designation, for the bank and for all other reporting lenders in the Madison assessment area.

<b>Table 9</b> <b>M&amp;I BANK OF SOUTHERN WISCONSIN</b> <b>GEOGRAPHIC DISTRIBUTION ANALYSIS OF</b> <b>SMALL BUSINESS LOANS IN THE MADISON ASSESSMENT AREA <sup>(1)</sup></b>												
Census Tract Income Designation	M&I Bank of Southern Wisconsin's Small Business Loans								Aggregate Lending Data <sup>(2)</sup>			
	1998				1999				1998		1999	
	#	%	\$(000)	%	#	%	\$(000)	%	#	%	#	%
Low-income	61	5.4	13,180	6.8	56	5.9	11,751	6.8	127	2.9	174	3.1
Moderate-income	233	20.5	38,186	19.7	203	21.3	38,311	22.2	989	22.2	1,027	18.3
Middle-income	502	44.2	78,978	40.6	397	41.7	61,072	35.4	2,751	61.8	3,688	65.5
Upper-income	339	29.9	63,818	32.9	297	31.1	61,401	35.6	584	13.1	739	13.1
Totals	1,135	100.0	194,162	100.0	953	100.0	172,535	100.0	4,451	100.0	5,628	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 Madison assessment area who report such information. M&I Bank of Southern Wisconsin's small business loans have been excluded from these aggregate totals.

The information in Table 9 illustrates that the bank's lending to small businesses in low- and moderate-income census tracts in the Madison assessment area is very strong. The bank has made a higher percentage of its 1998 and 1999 new loan originations in low-income census tracts compared to the aggregate of all lenders, based on the number of loans made. The dollar amount of bank lending in low-income census tracts reflects an even stronger performance by the bank in making such loans in low-income census tracts. The bank's origination of small business loans in moderate-income census tracts in the Madison assessment area, measured in both numbers and dollar amount, is generally consistent with lending percentages of the aggregate of all lenders in both years. The information in Table 9 reveals another important factor in considering the bank's lending performance, which is that the bank has originated over \$101 million in small business loans in low- and moderate-income census tracts during 1998 and 1999 combined.

The bank's geographic distribution of CRA-reportable small business lending in the Madison assessment area is very strong.

**Borrower Characteristics**

The analyses of the bank's HMDA-reportable and CRA-reportable lending activities, which were prepared by analysts at the bank's parent company, were also utilized in the evaluation of the bank's lending based on the borrowers' 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 median family income of the area
- Moderate-income – 50% to less than 80% of the median family income of the area
- Middle-income – 80% to less than 120% of the median family income of the area
- Upper-income – 120% or more of the median family income of the area.

A small business loan is defined as a commercial loan with an original amount of \$1 million or less, and a small farm loan is defined as an agricultural loan with an original amount of \$500,000 or less. 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.

**Madison Assessment Area****HMDA-Reportable Lending**

The bank's 1998, 1999, and year-to-date 2000 HMDA-reportable loans, sorted by borrower income classification, and comparable 1998 and 1999 lending data for all other lenders in the aggregate in the Madison assessment area are presented in Table 10.

Table 10 M&I BANK OF SOUTHERN WISCONSIN BORROWER INCOME DISTRIBUTION ANALYSIS OF HMDA-REPORTABLE LOANS IN THE MADISON ASSESSMENT AREA											
Borrower Income Classification	Demo- graphic Data <sup>(1)</sup> (%)	M&I Bank of Southern Wisconsin's HMDA Loans						Aggregate Lending Data <sup>(3)</sup>			
		1998		1999		2000 <sup>(2)</sup>		1998		1999	
		#	%	#	%	#	%	#	%	#	%
Low-income	15.8	224	4.9	201	6.3	81	6.6	1,471	5.6	1,273	8.5
Moderate-income	19.7	725	15.8	617	19.3	274	22.2	5,743	21.6	3,769	25.2
Middle-income	28.3	1,367	29.8	995	31.1	341	27.7	9,497	35.8	5,002	33.4
Upper-income	36.2	2,268	49.5	1,388	43.3	536	43.5	9,826	37.0	4,930	32.9
Totals	100.0	4,584	100.0	3,201	100.0	1,232	100.0	26,537	100.0	14,974	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 4.8% of all families in this assessment area and are included in the low-income figures.

(2) Includes activity reported through June 30, 2000.

(3) Aggregate lending data includes all loan originations of all HMDA-reportable lenders in the Madison assessment area, excluding M&I Bank of Southern Wisconsin's loan originations.

The percentages of bank HMDA-reportable lending in low- and moderate-income census tracts have increased each period from 1998 through June 30, 2000, as shown in Table 10. These percentages are lower than aggregate lending levels for the same periods. Nevertheless, the bank represented over 13% of all HMDA-reportable loans made to low-income borrowers and over 12% of all HMDA-reportable loans made to moderate-income borrowers for both 1998 and 1999 combined. This large volume of loan originations by the bank occurred despite the presence of over approximately 150 other mortgage lenders in this market. This is a clear indication that the bank's performance in meeting the mortgage loan needs of low- and moderate-income borrowers is strong even though the percentage distribution of the bank's loans by borrower income classification is less than the aggregate's percentages. Furthermore, the bank's percentages have been trending upward.

#### Small Business and Small Farm Lending

The bank's 1998 and 1999 small business and small farm lending data in the Madison assessment area, sorted by loan size and borrower's annual revenue, is detailed in Table 11.

Table 11 M&I BANK OF SOUTHERN WISCONSIN ANALYSIS BASED ON LOAN SIZE AND BORROWER'S REVENUE OF SMALL BUSINESS AND SMALL FARM LOANS IN THE MADISON ASSESSMENT AREA								
Original Loan Amount	Small Business Loans				Small Farm Loans			
	1998		1999		1998		1999	
	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)
<=\$100,000	673	27,849	559	24,138	83	3,018	54	2,231
>\$100,000-\$250,000	243	42,355	222	39,352	28	4,789	25	4,105
>\$250,000-Maximum <sup>(1)</sup>	266	131,958	212	115,329	7	2,769	8	2,703
Total	1,182	202,162	993	178,819	118	10,576	87	9,039
<b>Borrower's Annual Revenue</b>								
<=\$1,000,000	850	113,832	776	103,147	110	9,219	86	8,839

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

Table 11 illustrates that the bank originates a significant volume of small business loans in the Madison assessment area, having provided 2,175 loans totaling \$381 million in 1998 and 1999 combined. Approximately 57% of these loans were in amounts of \$100,000 or less, which helps meet the credit needs of the smallest businesses. In addition, 75% of the number and 57% of the dollar amount of these 2,175 small business loans were to borrowers with revenues of \$1 million or less. The bank's performance in providing small business loans in this assessment area is exceptionally strong when compared to the loan activity reported by all reporters of CRA loans in this assessment area. Specifically, the bank represented 27% of the number and 47% of the dollar amount of all such loans reported in 1998, despite the presence of 72 reporters of CRA small business loans in this market. Bank lending represented over 19% of the number and almost 24% of the dollar amount of all small business loans reported by 69 CRA-reporters in 1999.

The small farm loan information in Table 11 reveals that the bank has a comparatively small volume of such loans in the Madison assessment area. Demand is relatively low compared to small business loan activity because a significant portion of Dane County is urban in nature, centered around the City of Madison. Nevertheless, the bank has provided over \$18 million in small farm loans in 1998 and 1999, with the majority of the number of loans being \$100,000 or less in amount. Also, 95% of the number and 92% of the dollar amount of small farm loans made by the bank were to farms with annual revenues of \$1 million or less. The \$18 million in bank small farm lending represents over 35% of such loans made by all reporters of such information for both years. Thus, the bank is, in fact, very active in provided agricultural credit in this market and provides a significant portion of all reported small farm loans.

The bank's CRA-reportable small business and small farm lending to businesses and farms of different

revenue sizes in the Madison assessment area , especially smaller entities, is very strong.

### Non-MSA Assessment Area

#### HMDA-Reportable Lending

The bank's 1998, 1999, and year-to-date 2000 HMDA-reportable mortgage lending is summarized in Table 12. Aggregate lending data for this assessment area, however, was not readily available.

Borrower Income Classification	Families in the Assessment Area <sup>(1)</sup>		1998		1999		2000 <sup>(2)</sup>	
	#	%	#	%	#	%	#	%
Low-income	6,004	16.9	39	5.3	37	7.7	8	4.9
Moderate-income	7,219	20.3	110	14.9	82	17.2	25	15.4
Middle-income	9,383	26.4	235	31.9	139	29.1	45	27.8
Upper-income	12,939	36.4	353	47.9	220	46.0	84	51.9
Totals	35,545	100.0	737	100.0	478	100.0	162	100.0

(1) This information is according to the 1990 census. Those families with incomes below the poverty level represent 8.0% of all families in this assessment area, and are included in the low-income figures.

(2) Includes activity reported through June 30, 2000.

The information in Table 12 indicates that the bank's lending to low- and moderate-income borrowers, as a percentage of all HMDA-reportable loans made each year, is lower than the percentage distribution of such families in the assessment area. This is not unusual, however, since low- and moderate-income individuals and families often have difficulties in saving for a down payment. In addition, 8% of the families in this assessment area have an annual income that is below the poverty level. Families in this situation are even less likely unlikely to be homeowners due to their very low-income. Housing prices that increase at a faster rate than family income, such as that noted in Sauk and Iowa counties in this non-MSA assessment area, create declining opportunities for homeownership by low- and moderate-income families. The bank's HMDA-reportable loan activity, as shown in Table 12, reveals that 20% to 25% of its lending is to low- and moderate-income borrowers, which is similar to the percentages noted in the Madison assessment area. This analysis indicates a strong performance level by the bank in this assessment area.

#### Small Business and Small Farm Lending

The bank provides equal amounts of small business and small farm loans, measured in dollars funded, in the non-MSA assessment area each year, although the number of small farm loans made is much greater than small business loans made. Table 13 summarizes the bank's 1998 and 1999 small business and small farm lending in the non-MSA assessment area.

Table 13 M&I BANK OF SOUTHERN WISCONSIN ANALYSIS BASED ON LOAN SIZE AND BORROWER'S REVENUE SMALL BUSINESS AND SMALL FARM LOANS IN THE NON-MSA ASSESSMENT AREA								
Original Loan Amount	Small Business Loans				Small Farm Loans			
	1998		1999		1998		1999	
	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)
<=\$100,000	272	8,740	176	5,522	909	21,164	436	11,735
>\$100,000-\$250,000	67	11,039	30	5,327	77	11,333	58	9,117
>\$250,000-Maximum <sup>(1)</sup>	47	20,627	34	16,145	21	7,473	18	6,275
Total	386	40,406	240	26,994	1,007	39,970	512	27,127
<b>Borrower's Annual Revenue</b>								
<=\$1,000,000	324	26,085	211	15,368	1,001	39,506	511	27,125

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

Further analysis of the information in Table 13 reveals that approximately 72% of the small business loans and 89% of the small farm loans were in amounts of \$100,000 or less, where the credit needs of the smallest businesses and farms is strong. Furthermore, over 85% of the small business loans and 99% of small farm loans were made to borrowers with annual revenues of \$1 million or less. The volume of small business and small farm loans reported by the bank in 1999 is significantly lower than was reported in 1998. There are two reasons for this decrease. First, the bank sold three branches in May-July 1999, reducing the number of branches that accept loan applications in this assessment area from nine to six locations. Second, the reduction in the number of small farm loans was partially a result of a general change by the bank to using lines of credit and longer term notes instead of individual short-term loans to meet the farmers' credit needs. A community representative contacted during the examination stated that the bank is not a significant agricultural lender in Iowa and Sauk counties due to strong competition from Farm Credit Services and local banks. The community representative noted, however, that the bank was a dominant agricultural lender in Richland and Grant counties. The bank has, nonetheless, provided over \$67 million in small business loans and an almost identical amount of small farm loans in this assessment area in 1998 and 1999 combined.

Another indication of the bank's performance in meeting the small business and small farm credit needs in this assessment area is its loan volume in relation to aggregate lending volume by all reporters of such loans. The bank's 1998 and 1999 small business loans represented 30% and 15%, respectively, of the number of loans and 41% and 29%, respectively, of the dollar amount of loans reported in the aggregate. The percentages for small farm lending are even higher. The bank's 1998 and 1999 small farm loans represent 58% and 42%, respectively, of the number of loans and 62% and 52%, respectively, of the dollar amount of the loans reported in the aggregate. It should be noted that the aggregate small business and small farm loan activity reported under CRA regulations does not represent all loans of this nature that are made in an area since small institutions are exempt the

regulation's reporting requirements. Nevertheless, the bank's small business and small farm loan volume in relation to the loans that were reported in the aggregate is significant.

The bank's performance in the non-MSA assessment area in providing small business and small farm loans to businesses and farms of different revenue sizes, especially smaller entities, is very strong.

### **Innovative or Flexible Lending Practices**

The bank's credit products include a variety of loans and lines of credit that are designed to meet the needs of consumers, commercial borrowers, farmers, and other entities. Additional closed-end mortgage loan products are made available through M&I Mortgage Corp. Loan originations made through this affiliate based on applicants referred from the bank totaled 4,193 loans for over \$575 million during the period January 1, 1998 through June 30, 2000. The bank participates in a number of government-assisted and other specialty loan products designed to help low- and moderate-income borrowers and businesses and farms access credit that they might not otherwise be able to obtain. These loans are included in the preceding analyses of HMDA-reportable loans and CRA-reportable small business and small farm loans. These programs and related loan activity merit special mention since they reflect the bank's willingness to utilize flexible lending guidelines to help meet the credit needs of the community.

- Neighborhood Home Loan Program (NHLP). This M&I Bank loan product offers low- and moderate-income households access to home ownership through the use of favorable terms on selected mortgage loan products. Terms include a 3%-5% down payment, a waiver of the private mortgage insurance requirement, and no cash reserves. The bank has originated 746 loans totaling \$74.6 million under this program since January 1, 1998.
- WHEDA. The bank has originated 124 loans totaling \$10.7 million since January 1, 1998 under WHEDA's "HOME" loan program for first-time homebuyers and 73 loans totaling \$1.5 million under its "CROP" program for farmers.
- FHA and VA. The bank has originated 11 loans for \$1.2 million and 51 loans for \$6.0 million, respectively, since January 1, 1998 under these federally guaranteed mortgage loan programs. The bank has originated an additional 70 loans for \$8.3 million since January 1, 1998 under the state's VA loan program.
- FSA. Agricultural loans originated by the bank to local farmers under this federal agency's loan programs totaled 67 loans for \$13.3 million since January 1, 1998.
- SBA. The bank has originated a total of 21 loans for \$5.7 million since January 1, 1998 under two programs offered by this federal agency to benefit small business borrowers.

- PECFA. The bank has originated a total of 19 loans for \$1.7 million since January 1, 1998 for environmental cleanup purposes under this state-sponsored program.

Included in the small business loan analyses above are certain loans that have community development purposes as defined under the CRA regulation. These include three loans totaling \$261,000 to borrowers that provide affordable housing and two loans totaling \$850,000 to borrowers that provide community services to low- and moderate-income residents of the Madison assessment area.

### **Community Development Lending**

The bank has been active in originating community development loans, as defined under the CRA regulation, which have not been considered previously in evaluating the bank's performance under the lending test. These lending transactions are consistent with one or more of the following purposes: affordable housing or community services which benefit low- and moderate-income individuals and families, activities that promote the revitalization or stabilization of low- or moderate-income geographies, and activities that promote economic development through the creation or retention of jobs for low- and moderate-income individuals. Table 14 provides information concerning these loans.

<b>Table 14 M&amp;I BANK OF SOUTHERN WISCONSIN COMMUNITY DEVELOPMENT LOANS</b>		
<b>Date</b>	<b>Amount</b>	<b>Description</b>
<b>The following transactions involve affordable housing in the Madison assessment area</b>		
Jan-98	210,000	24-unit single room occupancy (SRO) property located in a low-income census tract, for LMI <sup>(1)</sup> men.
Jun-98	266,000	6 rental income properties, one of which is a group home for LMI persons.
Sept-98	118,007	15-unit affordable housing property located in a moderate-income census tract.
Sept-98	90,000	3-unit property owned by a local organization to provide housing for the homeless.
Sept-98	94,656	12-unit Section 17 property, a City of Madison program, which requires that at least 70% of tenants be LMI. Property is located in a moderate-income census tract.
Oct-98	1,275,000	5 buildings totaling 72 units of affordable housing in a low-income census tract.
Oct-98	79,000	Construction loan to renovate a property located in a low-income census tract. Borrower specializes in providing affordable housing to LMI individuals
Nov-98	558,461	3 buildings with 24 units, 11 of which involve LMI tenants who receive rental subsidies.
Jan-99	80,806	Construction loan to renovate a property located in a middle-income census tract. Borrower specializes in providing affordable housing to LMI individuals
Mar-99	91,000	Construction loan to renovate a property located in a moderate-income census tract. Borrower specializes in providing affordable housing to LMI individuals
April-99	1,285,000 1,560,662	Transaction involves a loan (\$1,275,000) and a letter of credit (\$1,560,662) used to purchase a 46-unit building located in a moderate-income census tract. The letter of credit supports a Community Development Authority Bond, which requires that at least 10 tenants have incomes at or below 60% of the median family income of the county.
May-99	65,100	Construction loan to renovate a property located in a moderate-income census tract. Borrower specializes in providing affordable housing to LMI individuals



Dec-99	1,082,041 844,000	The bank is the lead bank for a lenders' consortium that provided a \$3.0 million HUD 236 first mortgage loan and a \$3.0 million second mortgage loan to acquire a 246-unit affordable housing project. The purchase also involved a \$1.5 million interest-free community development block grant while the property retains its affordable housing status.
Dec-99	400,000	The bank is the lead bank in a \$1.6 million line of credit to be used to acquire new properties by a local organization that provides housing for the homeless.
Feb-00	2,521,000 250,000	Transaction involves a loan (\$2,521,000) and a letter of credit (\$250,000) to purchase and redevelop a site in downtown Madison, a moderate-income census tract, under a tax incentive financing (TIF) package that requires that 20% of the project include affordable housing.
Total	10,870,733	
<b>The following transactions involve the revitalization or stabilization of LMI census tracts and/or the creation or retention of jobs for LMI individuals in the Madison assessment area</b>		
Aug-98	1,505,000 400,000	These loans financed the relocation and expansion of a local business within a moderate-income census tract, preventing the loss of jobs for LMI individuals and helping prevent further decline of this geography.
July-99	1,317,500	Construction of a free standing building for a major new tenant (Walgreens) in a strip shopping mall located in a moderate-income geography. Helped to revitalize the area and created jobs for LMI individuals.
Nov-99	1,176,000	Land acquisition and construction loan for an equipment rental company in a low-income census tract. Helped to revitalize the area and create jobs for LMI individuals.
Dec-99	5,000,000	Construction loan to renovate a portion of a strip shopping mall in a moderate-income census tract for a new major anchor tenant (a supermarket). Helped to revitalize the area and create jobs for LMI individuals.
Total	9,398,500	
<b>The following transactions involve borrowers that provide community services for LMI individuals in the Madison assessment area</b>		
Dec-99	3,109,836	This is a letter of credit used to collateralize a Wisconsin Health and Education Authority (WHEFA) bond to consolidate the debt of a local non-profit company that provides mental health and other services to LMI and elderly residents of the area.
Aug-00	100,000 1,514,795	Operating line of credit (\$100,000) and letter of credit (\$1,514,795) to a non-profit company that provides healthcare, home care, adult daycare, and other services to elderly of Dane County. Majority of its funding comes from Medicaid (61%) and local governments (23%). Letter of credit was used to support the refinancing of a land contract on the entity's headquarters plus new funds for renovation.
Total	4,724,631	
Total-all	24,993,864	
<i>(1) LMI is an abbreviation for the term "low- and moderate-income."</i>		

All of the transactions discussed in Table 14 are located in the Madison assessment area, where all of the low- and moderate-income census tracts and over 72% of the low- and moderate-income families in the bank's combined assessment area are found. The absence of any identified community development loans in the non-MSA assessment area is not considered to be a deficiency in the bank's lending performance since there are a very limited number of opportunities for the bank to make such loans in this assessment area. Furthermore, the bank's strong performance in making community development loans in the Madison assessment area evidences bank management's positive attitude regarding this type of lending activity. The bank made one additional community development loan for

\$411,000 in 1998 for a 20-unit affordable housing project in Crivitz, Wisconsin, which is outside the bank's combined assessment area.

## CONCLUSIONS

### **Madison Assessment Area Lending Test Conclusion**

The bank's performance on the lending test in the Madison assessment area is excellent. The geographic distribution of HMDA-reportable loans was strong and the distribution of CRA-reportable small business loans was very strong. The analysis of HMDA-reportable loans based on borrower characteristics revealed a strong performance by the bank in lending to low- and moderate-income borrowers in the assessment area. The analysis of CRA-reportable small business loans based on loan size and annual revenues disclosed that the bank's performance was very strong. This is evidenced by the fact that the bank made a large number and dollar amount of small business loans in the assessment area in 1998 and 1999. Furthermore, a large percentage of these loans were in amounts of \$100,000 and were made to businesses with annual revenues of \$1 million or less. The bank's small farm lending analysis revealed that the volume of small farm made by the bank is relatively small in volume; however, this is largely due to the urban nature of much of the assessment area. Nevertheless, the majority of these loans were in amounts of \$100,000 or less, and over 90% of them were to borrowers with annual revenues of \$1 million or less. An important consideration in evaluating the bank's lending performance in this assessment area is that bank's HMDA-reportable loans and CRA-reportable small business and small farm loans represent a significant portion of all such loans reported in the aggregate. The bank's community development lending in the Madison assessment area is outstanding, as evidenced by the fact that the bank provided approximately \$25 million in such loans and letters of credit since January 1, 1998. Community representatives contacted during the examination spoke favorably of the bank as a leader in the community in many ways, including its community reinvestment activities.

### **Non-MSA Assessment Area Lending Test Conclusion**

The bank's performance on the lending test in the non-MSA assessment area is excellent. HMDA-reportable lending activity based on the borrower's income characteristics was evaluated as strong based on the fact that approximately 20%-25% of the total of such loans made by the bank in this assessment area were to low- and moderate-income borrowers. The analysis of the bank's small business and small farm lending activity based on loan size and borrower income revealed a very strong performance by the bank in this assessment area. The bank originated approximately \$67 million in small business loans in 1998 and 1999 combined and a like amount of small farm loans in the same time period. A large percentage of these loans were in amounts of \$100,000 or less and an even larger percentage was made to borrowers with revenues of \$1 million or less. The bank's total loan volume of small business and small farm loans represents a significant portion of all such loans reported by all reporting lenders in this assessment area. There was no community development loan activity noted in the non-MSA assessment area, but this is generally due to the fact that there are relatively few such opportunities here.

**Overall Bank Lending Test Conclusion**

The bank's overall performance on the lending test is *outstanding*. The bank's lending performance in each of its two assessment areas is excellent. Furthermore, the bank's loan to deposit ratio of 105.3% at June 30, 2000 and its 10-quarter average loan-to-deposit ratio of 95.7% since the previous examination indicate a very strong commitment by the bank to making loans to meet the credit needs of the community. This performance is further supported by the fact that the bank has provided its customers with almost 4,200 additional loans totaling \$575 million through its affiliate, M&I Mortgage Corp. since January 1, 1998. The bank's loan portfolio at June 30, 2000 reflects the fact that the bank is serving loans to all major market segments – commercial, residential real estate, agricultural, and consumer. Almost 90% of the bank's HMDA-reportable loans and CRA-reportable small business and small farm loans reviewed in this lending test performance analysis were made within the bank's combined assessment area. The bank has demonstrated its flexible and innovative lending practices through the large number of government-assisted loans that it has provided since January 1, 1998. These factors and conclusions support the overall rating of outstanding.

**INVESTMENT TEST**

The bank's investment portfolio, donations, and grants were reviewed and discussed with bank management to assess the bank's performance on the investment test. 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 a reasonable number of qualified community development investment opportunities exist in the Madison assessment area due to the presence of low- and moderate-income census tracts and the existence of many non-profit organizations that focus on the needs of low- and moderate-income individuals in this area. Few qualified investment opportunities, however, were noted to exist in the Non-MSA assessment area.

The bank advanced \$194,000 at a 3% interest rate in December 1999 to The Dane Fund, Inc. as part of a \$1 million capital fund raising effort for its community development loan fund. The loan fund makes below-market interest rate loans to non-profit groups and others for such purposes as affordable housing, job creation, and facilities and services that benefit the disadvantaged in Dane County.

The bank maintains a continuing equity investment of \$100,000 in the Dane County Development Corporation, Inc. since the previous examination. This company provides loans to start-up businesses that would not be able to secure loans from traditional sources.

The bank made a donation of \$25,000 in 1999 to the Future Madison Housing Fund to support that organization's efforts to raise \$650,000 in equity capital. These new funds will be used to acquire an existing 246-unit housing complex in Madison that will be renovated and returned to the community as affordable housing.

The bank has made charitable contributions to organizations and projects that qualify as community development investments under CRA regulations. These contributions are summarized in Table 15.

<b>Table 15</b>				
<b>M&amp;I BANK OF SOUTHERN WISCONSIN</b>				
<b>QUALIFIED COMMUNITY DEVELOPMENT CONTRIBUTIONS</b>				
<b>Assessment Area and Purpose</b>	<b>Amount</b>			
	<b>1998</b>	<b>1999</b>	<b>2000<sup>(1)</sup></b>	<b>Total</b>
<b>Madison:</b>				
Affordable housing for LMI <sup>(2)</sup> individuals	\$7,800	\$2,853	\$2,850	\$13,503
Community services for LMI individuals	\$14,213	\$13,198	\$13,519	\$40,930
Revitalize/stabilize LMI areas	\$1,500	\$3,000	\$0	\$4,500
Totals for Madison assessment area	\$23,513	\$19,051	\$16,369	\$58,933
<b>Non-MSA</b>				
Affordable housing for LMI individuals	\$1,000	\$1,000	\$5,000	\$7,000
Community services for LMI individuals	\$500	\$500	\$500	\$1,500
Totals for Non-MSA assessment area	\$1,500	\$1,500	\$5,500	\$8,500
Totals for both assessment areas	\$25,013	\$20,551	\$21,869	\$67,433
<i>(1) Through October 2000</i>				
<i>(2) LMI is an abbreviation for the term "low- and moderate income."</i>				

The bank routinely makes a large number and dollar amount of contributions within its two assessment areas in addition to those summarized in Table 15. These additional contributions are not qualifying community development contributions as defined under the CRA regulation, but they do demonstrate the financial support that the bank provides within its two assessment areas. For example, the bank has donated \$164,250 to the United Way of Dane County from January 1, 1998 through October 31, 2000; an additional \$950 was given to the United Way Chapters in Dodgeville (in Iowa County), Grant County, and Sauk County. The United Way distributes the contributions it receives to a variety of community groups, non-profit companies, and other agencies that provide social and other services to disadvantaged members of the community who are in need of assistance. Many beneficiaries of these United Way contributions are undoubtedly low- and moderate-income individuals; however, a specific allocation of these contributions between CRA-qualified and non-qualified activities is not available. Examples of other recipients of the bank’s charitable contributions that reflect its support of the community include HospiceCare, Inc., Big Brothers and Big Sisters of Dane County, Boys and Girls Club of Dane County, the YMCA and YWCA of Madison, Boy Scouts of America, American Heart Association, American Cancer Society, American Red Cross, Easter Seal Society, and local schools and churches. The Madison assessment area receives a significant portion of the bank’s contributions and investments because of the size of the population living there and the number of community organizations operating in this area. There are, therefore, a reasonable number of investment opportunities available to the bank in this assessment area. There are relatively few such opportunities

to make qualified investments in the Non-MSA assessment area in comparison.

## CONCLUSIONS

### **Madison Assessment Area Investment Test Conclusion**

The bank's performance on the investment test in this assessment area is considered strong. The bank's new investments totaling \$219,000 in The Dane Fund, Inc. and the Future Madison Housing Fund and the approximately \$59,000 in new qualified charitable contributions since the previous examination indicate a continuing commitment by the bank to the community development needs of the assessment area. The ongoing qualified investment of \$100,000 in the Dane County Development Company is also noteworthy. The additional monetary support of local organizations such as the United Way, although not qualified investments under CRA regulations, further supports the conclusion that the bank's support of the residents of this assessment area is strong. Community representatives have spoken highly of the bank's involvement in, and support of, community activities. These representatives also noted, however, that the favorable unemployment statistics for the assessment area obscure the fact there are many individuals in the community who do not earn a "living wage" due to high housing costs and other costs of living in a metropolitan area like Madison. Furthermore, health care benefits for these individuals are often inadequate or nonexistent. These factors indicate that there continues to be a significant demand in this assessment area, especially the City of Madison, for financial support of organizations and agencies that address these needs. The bank does provide a reasonably high level of financial support in response to these needs. The bank's volume of qualified investment activity in this assessment area, however, is tempered by the fact that the bank, with assets of \$2.6 billion and total equity capital of \$191.5 million at June 30, 2000, is the largest locally chartered bank serving the Madison assessment area. An institution of this size and financial strength is expected to provide a high level of monetary support to the community through investments and contributions, especially when there are clearly identified needs as well as opportunities to financially support these needs, such as are known to exist in Madison. The bank should continue its current level of support for these organizations and agencies, while seeking out additional community development investment opportunities in this area.

### **Non-MSA Assessment Area Investment Test Conclusion**

The bank's performance on the investment test in the Non-MSA assessment area is considered generally strong. There appear to be relatively few qualified investment opportunities within this assessment area because the area is rural in nature, with no significant population centers where such investment initiatives are most likely to develop. Nevertheless, the bank made \$7,000 in contributions since the previous examination to two organizations that are active in providing affordable housing for low- and moderate-income individuals in Richland and Iowa counties. An additional \$1,500 was donated to a local fund raising activity where the proceeds are used to provide community services to LMI individuals in Richland County.

### **Overall Bank Investment Test Conclusion**

The bank's overall performance on the investment test is considered *high satisfactory*. The bank

provides strong monetary support through investments and contributions in the Madison assessment area, especially in the City of Madison, and the monetary support provided by the bank in the non-MSA assessment area is reasonable in light of the limited opportunities available there. The bank could be providing additional monetary support, based on its asset size and financial strength, to organizations and agencies that meet the needs of local residents for affordable housing and community services in the City of Madison.

### **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**

The bank maintains 18 full-service branches, eight limited-service branches, and 47 ATMs in the five counties that comprise its combined assessment area. The bank offers a wide variety of commercial, real estate, agricultural, and consumer loan products that are supplemented by additional mortgage loan products through M&I Mortgage Corp. M&I Bank of Southern Wisconsin offers certain deposit and loan products that can help meet the needs of low- and moderate-income individuals and small business and small farm owners, as follows:

- *Basic checking.* This product's features include no minimum balance and low monthly fees for low volume check writers.
- *Small business checking.* This product offers low monthly fees for small businesses and farms, clubs and organizations with low account activity. The *small business checking with interest* account is similar; however, the account earns interest and it is restricted to sole proprietors and qualified non-profit organizations.
- *100% home equity line of credit.* Homeowners can access all of the equity in their homes at a reasonable cost to meet their financial needs.
- *M&I turbo mortgage refinance.* This is a streamlined mortgage loan that provides quick action on certain loan refinancings at competitive rates and no application points or fees.

### **Distribution of Branches Among Geographies**

Information concerning the bank's branch offices is detailed in Table 16.

<b>Table 16</b> <b>M&amp;I BANK OF SOUTHERN WISCONSIN</b> <b>BANK FACILITIES AND HOURS OF OPERATION</b>			
<b>Branch Name and Address</b>	<b>County</b> <b>Census Tract/BNA</b> <b>Income Designation</b>	<b>Hours of Operation</b>	
		<b>Lobby</b>	<b>Drive-Up</b>
Cottage Grove Auto Bank <sup>(1)</sup> 4522 Cottage Grove Road Madison, WI 53716	Dane 0030.01 Middle	N/A	M-F 7:30 am – 6:00 pm Saturday 9:00 am – Noon
Dodgeville 302 North Iowa Street Dodgeville, WI 53533	Iowa 9504.00 Middle	M-Th 8:30 am – 4:00 pm Friday 8:30 am – 6:00 pm	M-F 8:00 am – 6:00 pm Saturday 8:00 am – Noon
Fitchburg 2900 Fish Hatchery Road Fitchburg, WI 53713	Dane 0014.98 <b>Moderate</b>	M-F 9:00 am – 5:00 pm Saturday 9:00 am – Noon	M-F 7:30 am – 6:00 pm Saturday 9:00 am – Noon
Hilldale 401 North Segoe Road Madison, WI 53705	Dane 0003.00 Middle	M-F 9:00 am – 5:00 pm Saturday 9:00 am – Noon	N/A
Hilldale Auto Bank <sup>(1)</sup> 4501 Vernon Boulevard Madison, WI 53705	Dane 0003.00 Middle	N/A	M-F 7:30 am – 6:00 pm Saturday 9:00 am – Noon
Lancaster 237 West Maple Street Lancaster, WI 53813	Grant 9607.00 Middle	M-Th 8:30 am – 4:00 pm Friday 8:30 am – 6:00 pm	M-Th 7:30 am – 5:00 pm Friday 7:30 am – 6:00 pm Saturday 8:00 am – Noon
Madison East Towne 4726 East Towne Boulevard Madison, WI 53704	Dane 0026.02 Middle	M-F 9:00 am – 5:00 pm Saturday 9:00 am – Noon	M-F 7:30 am – 6:00 pm Saturday 9:00 am – Noon
Madison High Point 7801 Mineral Point Road Madison, WI 53717	Dane 0004.98 Middle	M-F 9:00 am – 5:00 pm Saturday 9:00 am – Noon	M-F 7:30 am – 6:00 pm Saturday 9:00 am – Noon
Madison Jamestown 5250 Verona Road Fitchburg, WI 53711	Dane 0005.03 Middle	M-F 9:00 am – 5:00 pm Saturday 9:00 am – Noon	M-F 7:30 am – 6:00 pm Saturday 9:00 am – Noon
Madison Main Office 1 West Main Street Madison, WI 53703	Dane 0017.00 <b>Moderate</b>	M-F 9:00 am – 5:00 pm	M-F 7:30 am – 6:00 pm Saturday 9:00 am – Noon
Madison Sherman Avenue 1202 North Sherman Avenue Madison, WI 53704	Dane 0022.00 <b>Moderate</b>	M-F 9:00 am – 5:00 pm Saturday 9:00 am – Noon	M-F 7:30 am – 6:00 pm Saturday 8:00 am – Noon
Middleton 7447 University Avenue Middleton, WI 53562	Dane 0110.00 Upper	M-F 9:00 am – 5:00 pm Saturday 9:00 am – Noon	M-F 7:30 am – 6:00 pm Saturday 8:00 am – Noon
Monona Grove 4711 Monona Drive Madison, WI 53716	Dane 0103.00 Middle	M-F 9:00 am – 5:00 pm Saturday 9:00 am – Noon	N/A
Monona Grove Auto Bank <sup>(1)</sup> 4613 Monona Drive	Dane 0103.00	N/A	M-F 7:30 am – 6:00 pm Saturday 8:30 am – 12:30 pm

<b>Table 16</b>			
<b>M&amp;I BANK OF SOUTHERN WISCONSIN</b>			
<b>BANK FACILITIES AND HOURS OF OPERATION</b>			
<b>Branch Name and Address</b>	<b>County Census Tract/BNA Income Designation</b>	<b>Hours of Operation</b>	
		<b>Lobby</b>	<b>Drive-Up</b>
Madison, WI 53716	Middle		
Oregon 127 Jefferson Street Oregon, WI 53575	Dane 0125.00 Middle	M-F 8:30 am – 5:00 pm Saturday 9:00 am – Noon	M-F 7:00 am – 7:00 pm Saturday 8:00 am – Noon
Reedsburg 132 South Park Street Reedsburg, WI 53959	Sauk 9510.00 Middle	M-Th 8:30 am – 5:00 pm Friday 8:30 am – 6:00 pm Saturday 8:30 am – Noon	M-F 8:00 am – 6:00 pm Saturday 8:00 am – Noon
Richland Center 108 East Court Street Richland Center, WI 53581	Richland 9704.00 Middle	M-F 8:30 am – 5:00 pm Saturday 8:30 am – Noon	N/A
Richland Center Auto Bank <sup>(1)</sup> U.S. Highway 14 East Richland Center, WI 53581	Richland 9703.00 Middle	N/A	M-F 8:00 am – 6:00 pm Saturday 8:00 am – Noon
Sauk Prairie 615 Water Street Sauk City, WI 53583	Sauk 9507.00 Middle	M-F 8:30 am – 5:00 pm Saturday 8:30 am – Noon	M-F 7:30 am – 6:00 pm Saturday 8:00 am – Noon
Sauk-Gammon Auto Bank <sup>(1)</sup> 7001 Old Sauk Road Madison, WI 53715	Dane 0002.04 Upper	N/A	M-F 7:30 am – 6:00 pm Saturday 9:00 am – Noon
Shorewood Auto Bank <sup>(1)</sup> 810 Shorewood Boulevard Madison, WI 53705	Dane 0101.00 Upper	N/A	M-F 7:30 am – 6:00 pm Saturday 9:00 am – Noon
Spring Green 209 East Jefferson Street Spring Green, WI 53588	Sauk 9508.00 Middle	M-Th 8:30 am – 5:00 pm Friday 8:30 am – 6:00 pm Saturday 8:30 am – Noon	
Spring Green Auto Bank <sup>(1)</sup> 259 Jefferson Street Spring Green, WI 53588	Sauk 9508.00 Middle	N/A	M-F 8:00 am – 6:00 pm Saturday 8:00 am – Noon
Sun Prairie 1140 West Main Street Sun Prairie, WI 53590	Dane 0115.02 Middle	M-F 9:00 am – 5:00 pm Saturday 9:00 am – Noon	M-F 7:30 am – 6:00 pm Saturday 8:30 am – Noon
Waunakee 220 North Century Avenue Waunakee, WI 53597	Dane 0113.00 Middle	M-F 9:00 am – 5:00 pm Saturday 9:00 am – Noon	M-F 7:30 am – 6:00 pm Saturday 8:00 am – Noon
Westgate Auto Bank <sup>(1)</sup> 5567 Odana Road Madison, WI 53711	Dane 0004.98 Middle	Walk-up M-F 8:00 am – 1:00 pm	M-F 7:30 am – 6:00 pm Saturday 9:00 am – Noon

*(1) Limited service facility (loan applications are not accepted).  
N/A – Not applicable*



The bank maintains 47 ATMs in its combined assessment area, of which 23 are located on-site at branch offices. The three branches without an ATM are Reedsburg, Spring Green Auto Bank, and Shorewood Auto Bank. All on-site ATMs are full-service machines, with the exception of the ATM in Dodgeville, which is cash dispensing only. Four off-site ATMs in Madison and the off-site ATM in Middleton are full-service machines; the remaining 19 off-site ATMs are cash dispensing only.

### **Record of Opening and Closing Offices**

There have been several changes in the bank's branch office network since the previous examination. A new office in Waunakee, Wisconsin was opened in April 2000. The bank's Middleton office and separate auto bank were consolidated in June 1999 into a new branch office, which includes a drive-up facility, located within a city block of the previous auto bank location. The bank's Barneveld (Iowa County) and Mt. Hope (Grant County) offices were sold in May 1999 to the Peoples State Bank (Prairie du Chien, Wisconsin), and its office in Plain (Sauk County) was sold in July 1999 to the Community Bank Spring Green and Plain (Spring Green, Wisconsin). These three offices were sold since they were located in small communities that were not growing and did not fit within the bank's future plans. The sale of these offices did not adversely affect the availability of banking services to the residents of the cities involved since the former branches continue to be operated by local banks.

### **Alternative Systems for Delivering Retail Banking Services**

The bank is an affiliate bank in the M&I family of banks that operate throughout much of 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 customer of any M&I bank affiliate 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 issues, apply for a loan, or conduct selected other banking activities.
- MiWeb provides electronic access by 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**

The bank's management team encourages its directors, officers, and employees to become involved in supporting local community organizations through volunteer activities as part of the bank's commitment to serving the needs of the community in as many ways as possible. The result of this initiative is that a number of bank personnel offer their time and talents to many community groups and organizations in leadership and advisory roles, including serving as directors and officers of these entities, and serving on finance committees, loan committees, and similar activities. The list of such activities is fairly extensive; however, selected examples of the bank's community development services are as follows:

- Future Madison Housing Fund – the bank's president is a board member and secretary/treasurer, and the bank president and another bank officer serve on the board of Future Madison, Inc., its parent company
- Dane County Development Corporation, Inc. – a bank officer serves on the finance committee
- Commonwealth Development Corporation (CDC) – a bank officer serves on the micro loan fund committee of the Madison Enterprise Center, a division of CDC
- The Dane Fund – one bank officer serves on the board of directors and another one serves on the loan committee
- Habitat for Humanity – a bank officer serves on the finance committee
- Lancaster Economic Development Committee – a bank officer was a member of the technical assistance committee in 1998-1999
- Dodgeville Revitalization Board for Economic Development – a bank officer serves as a board member
- City of Dodgeville Economic Development Committee – a bank officer serves on this committee
- Reedsburg Community Development Committee - a bank officer serves on this committee
- Avoca Development Corp. – a bank employee is a member of the board of directors
- Salvation Army – a bank director serves on the board of directors
- Allied Neighborhood Community Center – a senior bank officer co-chaired a capital campaign project
- University of Wisconsin Extension Service – a bank officer served on a committee to establish credit counseling for low- and moderate-income individuals. Also, ten bank employees have been

trained to act as qualified credit counselors for this program

- Local chambers of commerce – a number of bank officers serve as officers and/or directors for seven chambers of commerce in the combined assessment area

The bank provides six to eight homebuyers seminars annually and participates in a number of similar seminars and first-time homebuyers fairs offered by other organizations, such as the Dane County Housing Authority, in the Madison area.

## CONCLUSION

Separate conclusions for each of the two assessment areas will not be provided since a significant portion of the information utilized in evaluation the bank's performance on the service test is the same for both assessment areas.

### Overall Bank Conclusion on the Service Test

The bank's performance under the service test is considered *high satisfactory*. The bank offers a variety of deposit and loan products to meet the needs of the residents, businesses, farms, and other entities in its combined assessment area. The bank offers a number of branch offices, which are open and accessible at reasonable times for customers to conduct their financial activities. Alternate delivery systems, including over 200 ATMs in the M&I bank family, are available for customers to conduct selected banking activities 24 hours per day. Community development activities are strong. The closing of three branches did not adversely affect the residents of the areas served by these locations since the branches were sold to other financial institutions.

## 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.