

# PUBLIC DISCLOSURE

September 20, 1999

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## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**M&I LAKE COUNTRY BANK**

RSSD Number: 927947

12 E. Capitol Drive  
Hartland, Wisconsin 53029

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

**INSTITUTION=S RATING:** This institution is rated **Satisfactory**.

M&I Lake Country Bank promotes economic growth in a manner consistent with its asset size, location and current economic conditions in its assessment area. The bank's efforts are accomplished primarily through its origination of real estate and commercial loans. These efforts are reflected in a strong loan-to-deposit ratio that exceeds its nationwide peer group and many of its local competitors, and reflects management's commitment to meeting the credit needs of the community. The majority of the bank's lending is in its assessment area, lending to businesses of all revenue sizes is very strong, and lending to borrowers of different income levels is representative of the demographic characteristics of the assessment area.

Discussions with community representatives and a review of the assessment area's current economic data indicate that more limited community development opportunities exist in the area due to its high median family income. The bank has, therefore, been limited in its ability to participate in such community development lending, investment and service activities. Banking services are readily accessible to residents of the assessment area, and banking hours, products and services meet the needs of the community. 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 details the performance level of **M&I Lake Country Bank, Hartland, Wisconsin**, with respect to the lending, investment and service tests. Based on the component test ratings for large banks, the assigned composite rating is *Satisfactory*.

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

**DESCRIPTION OF INSTITUTION**

M&I Lake Country Bank, with total assets of \$336.2 million as of June 30, 1999, is a wholly-owned subsidiary of Marshall & Ilsley Corporation, a multi-bank holding company located in Milwaukee, Wisconsin. The bank's six full-service branch locations include the main office in Hartland, two branches in Oconomowoc, and one branch each in Waukesha, Delafield and North Lake. The bank also maintains six automated teller machines (ATMs) – four full-service on-site ATMs at the Oconomowoc, Waukesha, Delafield and North Lake branches, one full-service off-site ATM in Hartland, and one cash-dispensing off-site ATM in Oconomowoc. The bank's CRA performance was most recently evaluated on December 1, 1997.

The bank is primarily a real estate and commercial lender, as demonstrated by the fact that 81.3% the bank's loan portfolio at June 30, 1999 is concentrated in loans secured by real estate, with an additional 15.0% invested in commercial and industrial loans and lines of credit. Consumer secured and unsecured single payment and installment loans and lines of credit represent 2.1% of the bank's loan portfolio at June 30, 1999. The bank offers a variety of conventional mortgage loan products for its own loan portfolio and offers additional mortgage products through its affiliate, M&I Mortgage Corp. Government-assisted mortgage loans under the Wisconsin Housing and Economic Development Authority's (WHEDA) first-time homebuyers loan program and Federal Housing Administration (FHA) and the Veterans Administration (VA) mortgage loans are also available. The bank offers commercial loans guaranteed by the Small Business Administration (SBA) and environmental clean-up loans under the State of Wisconsin's Petroleum Environmental Cleanup Fund Act (PECFA). There are no factors relative to the bank's financial condition, size, or local economic conditions that would prevent the bank from meeting the community's credit needs.

Competition in the bank's assessment area is abundant and continues to grow as other banks, thrift institutions and credit unions open new branch offices in this area. The complete list of competitors operating within this market is extensive. Specific competitors identified by bank management as providing the most intense competition for loans and/or deposits, and the communities in which these competitors maintain competing branches, are illustrated in the following chart:

| <b>M&amp;I LAKE COUNTRY BANK’S LOCAL COMPETITORS</b> |   |
|--|---|
| <b>Bank Name/Headquarters</b>                        | <b>Location of Competing Branches</b>                     |
| Bank One, Wisconsin/Milwaukee                        | Waukesha, Delafield, Pewaukee, Oconomowoc, Wales          |
| Marine Bank and Savings/Cedarburg                    | Pewaukee  |
| Firststar Bank Milwaukee, N.A./Milwaukee             | Waukesha, Delafield, Pewaukee, Brookfield                 |
| First Bank Financial Center/Oconomowoc               | Hartland, Oconomowoc                                      |
| Associated Bank Milwaukee/Milwaukee                  | Waukesha, Pewaukee, Oconomowoc, Brookfield, Dousman       |
| Citizens Bank of Mukwonago/Mukwonago                 | Mukwonago   |
| Waukesha State Bank/Waukesha                         | Waukesha, Delafield, Pewaukee                             |
| Delafield State Bank/Delafield                       | Delafield   |
| Landmark Credit Union/Waukesha                       | Waukesha, Oconomowoc, Brookfield, Hartland (opening soon) |

**DESCRIPTION OF M&I LAKE COUNTRY BANK’S ASSESSMENT AREA**

Bank management has defined the bank’s assessment area as the 41 census tracts that comprise the northern portion of Waukesha County, which is one of four counties in the Milwaukee-Waukesha Primary Metropolitan Statistical Area (PMSA). These 41 census tracts include 16 that are designated as middle-income and 25 that are upper-income. Waukesha County, located approximately 20 miles west of Milwaukee, is primarily urban in nature and becoming less agricultural as farmland continues to be converted to commercial and residential use. Demand for agricultural loans in the county is small.

The population of the assessment area is 195,397, which represents 64.1% of the 304,715 residents of Waukesha County, based upon 1990 census data. Recent information from the Demographic Services Center of the State of Wisconsin indicates that Waukesha County has experienced substantial population growth from 1990 to 1998. The following chart summarizes this growth for the county overall and for specific communities within the assessment area:

| M&I LAKE COUNTRY BANK<br>ESTIMATED POPULATION GROWTH IN WAUKESHA COUNTY AND<br>SELECTED COMMUNITIES IN THE ASSESSMENT AREA |         |             |               |        |      |
|--|---------|-------------|---------------|--------|------|
| Community Name   | Type    | Population  |               | Change |      |
|  |         | 1990 Census | 1998 Estimate | Number | %    |
| Waukesha   | County  | 304,715     | 345,440       | 40,725 | 13.4 |
| Waukesha   | City    | 56,894      | 62,197        | 5,303  | 9.3  |
| Brookfield   | City    | 35,184      | 37,041        | 1,857  | 5.3  |
| Menomonee Falls  | Village | 26,840      | 29,762        | 2,922  | 10.9 |
| Oconomowoc   | City    | 10,993      | 11,675        | 682    | 6.2  |
| Pewaukee   | Town    | 9,339       | 12,246        | 2,907  | 31.1 |
| Pewaukee   | Village | 5,287       | 7,114         | 1,827  | 34.6 |
| Hartland   | Village | 6,906       | 7,935         | 1,029  | 14.9 |
| Sussex   | Village | 5,039       | 7,675         | 2,636  | 52.3 |
| Delafield  | City    | 5,347       | 6,306         | 959    | 17.9 |

Waukesha County is the wealthiest county in the state. The assessment area is similarly affluent, as measured by its medium family income, the distribution of families by median family income, and the percentage of families with incomes below the poverty level. This information, compared to the county, the Milwaukee-Waukesha PMSA and the State of Wisconsin is illustrated in the following chart:

| M&I LAKE COUNTRY BANK<br>POPULATION DISTRIBUTION BY MEDIAN FAMILY INCOME LEVEL |                      |             |   |                 |               |              |                     |
|--|----------------------|-------------|---|-----------------|---------------|--------------|---------------------|
|  | Median Family Income |             | Percentage of Families – Per 1990 Census Data |                 |               |              |                     |
|  | 1999 Estimate (1)    | 1990 Census | Low-Income                                    | Moderate-Income | Middle-Income | Upper-Income | Below Poverty Level |
| Assessment area  | N/A                  | \$49,594    | 7.5   | 12.7            | 25.6          | 54.2         | 1.9                 |
| Waukesha County  | (2)                  | \$49,096    | 7.9   | 12.4            | 25.9          | 53.8         | 2.2                 |
| PMSA   | \$57,600             | \$39,005    | 19.5  | 17.7            | 25.6          | 37.2         | 8.9                 |
| State of Wisconsin   | \$51,200             | \$35,082    | 17.9  | 18.7            | 26.5          | 36.9         | 7.6                 |

(1) Department of Housing and Urban Development (HUD) estimate.  
 (2) A community representative stated that the current median family income for the county is estimated to be \$75,000.  
 N/A – Not Available

The preceding chart demonstrates that the 1990 median family income in the assessment area is approximately 27% to 41% greater than that of the PMSA and the State. Furthermore, approximately 20% of the families in the assessment area are designated as low- and moderate-income, in comparison to the PMSA and the State, in which approximately 37% of the families are considered low- or moderate-income. These figures clearly demonstrate that the residents of

the assessment area, in general, have a high level of affluence.

The housing sector of the local economy is especially strong and further confirms the affluence of the assessment area. The median housing value in 1990 for the assessment area was \$97,100 compared to \$76,100 for the PMSA and \$62,100 for the State. Recent housing sales in Waukesha County reveal a substantial increase in housing values, however. The median sales price for over 5,500 homes sold during the five quarters ended March 31, 1999 was approximately \$160,000, according to figures provided by the Wisconsin Realtors Association. Community representatives stated that older homes in Hartland sell in the range of \$150,000 - \$170,000, while new homes generally sell for \$200,000 – \$225,000, with certain new homes for sale for as much as \$750,000. The housing affordability ratios (a measure of the relative affordability of housing in an area calculated by dividing the median housing value by the median family income) for the assessment area, the PMSA and the State are 1.958, 1.951 and 1.770, respectively, using 1990 census data. These ratios indicate that housing is relatively less affordable in the assessment area and in the PMSA than in the State despite the higher median family incomes.

Low unemployment rates are another indicator of the strong local economy at this time. The July 1999 unemployment rates for Waukesha County, the Milwaukee-Waukesha PMSA, and the State were 2.2%, 3.3%, and 2.9%, respectively. These figures are consistent with the July 1998 unemployment rates of 2.3%, 3.4%, and 3.3%, respectively. Community representatives have indicated that many companies have relocated to Waukesha County as a result of tax incentives provided by local municipalities and due to easy access via interstate highways. This has created more employment opportunities than there are available workers, with labor shortages existing for both skilled and unskilled positions. Further exacerbating the labor shortage is the fact that many employees of Waukesha County businesses must commute longer distances from other surrounding counties since they cannot afford the relatively high housing costs in Waukesha County. The largest employers in the county, each with more than 1,000 employees, include Quad/Graphics, Inc., G. E. Medical Systems, Waukesha Hospital System, Inc., Cooper Power Systems, Kohl's Corporation and Community Memorial Hospital of Menomonee Falls.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**

### **LENDING TEST**

The evaluation of the bank's CRA performance under the lending test included analyses of the bank's quarterly Consolidated Report of Condition; 1997, 1998 and year-to-date 1999 Home Mortgage Disclosure Act (HMDA) reportable lending; and 1997 and 1998 CRA-reportable lending. The loan-to-deposit ratios of the bank's primary competitors were reviewed, and interviews with bank management and community representatives were conducted to identify community development lending opportunities in the assessment area. A review of the geographic distribution of loans was not performed since there were no low- or moderate-income census tracts within the bank's assessment area.

Lending Volume

The bank's loan-to-deposit ratio was 91.2% and averaged 88.7% for the seven quarters ending June 30, 1999. These figures are significantly higher than the bank's nationwide peer group loan-to-deposit ratios and compare favorably with those of the bank's primary local competitors, as illustrated in the following chart:

| <b>M&amp;I LAKE COUNTRY BANK<br/>LOAN-TO-DEPOSIT RATIO COMPARISON</b>          |  |                              |   |
|--|--|------------------------------|---|
| <b>Institution</b>   | <b>Total Assets<br/>at 06/30/99<br/>(Millions)</b> | <b>Loan-to-Deposit Ratio</b> |   |
|  |  | <b>At 06/30/99</b>           | <b>Seven-Quarter<br/>Average Through<br/>06/30/99</b> |
| Bank One, Wisconsin  | \$9,254.1  | 118.5%                       | 121.2%  |
| Marine Bank and Savings  | \$137.9  | 102.1%                       | 107.1%  |
| Firststar Bank Milwaukee, N.A.   | \$9,109.6  | 103.9%                       | 104.0%  |
| First Bank Financial Center  | \$202.6  | 99.8%                        | 100.0%  |
| <b>M&amp;I Lake Country Bank</b>   | <b>\$336.2</b>                                     | <b>91.2%</b>                 | <b>88.7%</b>  |
| Associated Bank Milwaukee  | \$2,598.1  | 79.0%                        | 88.4%   |
| Nationwide Peer Group  | N/A  | 76.1%                        | 73.3%   |
| Citizens Bank of Mukwonago   | \$266.2  | 69.2%                        | 69.8%   |
| Waukesha State Bank  | \$434.2  | 70.3%                        | 65.8%   |
| Delafield State Bank (1)   | \$43.1   | 72.0%                        | 63.1%   |
| <i>(1) The 63.1% is a four-quarter average since this bank opened in 1998.</i> |  |                              |   |
| <i>N/A – Not applicable</i>  |  |                              |   |

The bank's loan-to-deposit ratios at June 30, 1999 and for the seven quarters then ended reflect bank management's commitment to meeting the credit needs of its assessment area. The bank also offers its customers secondary market mortgage loans through its affiliate, M&I Mortgage Corp., in addition to the loans that it originates for its own portfolio. These loans, which are not retained in the bank's loan portfolio and thus not included in the previous loan-to-deposit analysis, are significant in number -- 72 loans in 1997, 314 loans in 1998 and 155 loans in the first six months of 1999.

The distribution of the bank's loan portfolio at June 30, 1999 is as follows:



| <b>M&amp;I LAKE COUNTRY BANK<br/>COMPOSITION OF LOAN PORTFOLIO AT JUNE 30, 1999</b> |           |          |
|---|-----------|----------|
| <b>Loan Type</b>  | <b>\$</b> | <b>%</b> |
| Real Estate Loans:  |           |          |
| Construction/land development   | 14,270    | 5.5      |
| Secured by farmland   | 446       | 0.2      |
| Revolving open-end (1-4 family)   | 20,515    | 7.9      |
| Residential (1-4 family)  | 81,547    | 31.4     |
| Multi-family  | 10,174    | 3.9      |
| Commercial  | 84,148    | 32.4     |
| Total real estate loans   | 211,100   | 81.3     |
| Commercial and industrial loans   | 39,077    | 15.0     |
| Credit cards  | 1,335     | 0.5      |
| Consumer loans  | 4,212     | 1.6      |
| All other (excludes consumer loans)   | 4,024     | 1.6      |
| Total loans   | 259,748   | 100.0    |

The preceding chart clearly shows that the bank's primary lending focus is on loans secured by real estate and on commercial and industrial loans, which together account for over 96% of the gross loan portfolio at June 30, 1999. The bank's lending expertise has historically been in these areas. Consumer loans are offered, but strong local competition for such consumer loans has resulted in management's decision to stay with its historical lending expertise and to not aggressively pursue consumer lending. Management reports that Landmark Credit Union will soon be opening an office in Hartland providing local residents with an additional source for consumer loans.

#### Lending in the Assessment Area

The bank's holding company staff regularly prepares reports that analyze the bank's mortgage lending activity as reported in the HMDA-LAR and its commercial lending activity as reported in the CRA-LAR. These reports were reviewed and utilized to evaluate the bank's lending activity in the assessment area. For this purpose, HMDA-reportable loans include both the bank's own originations and the secondary market HMDA-reportable originations made by M&I Mortgage Corp. based on applications referred by this bank. The following chart summarizes this data for 1997, 1998 and year-to-date 1999 (through June 30):

| <b>M&amp;I LAKE COUNTRY BANK<br/>LENDING ACTIVITY WITHIN THE ASSESSMENT AREA</b>   |                                  |  |                |
|--|----------------------------------|--|----------------|
| <b>Loan Type and Year</b>  | <b>Total Number<br/>of Loans</b> | <b>Loans Made Within the<br/>Assessment Area</b> |                |
|  |                                  | <b>Number</b>                                    | <b>Percent</b> |
| 1997 HMDA-reportable loans (1)   | 314                              | 186  | 59.2           |
| 1998 HMDA-reportable loans (1)   | 660                              | 390  | 59.1           |
| 1999 HMDA-reportable loans (1) (2)   | 250                              | 154  | 61.6           |
| 1997 CRA-reportable loans  | 584                              | 374  | 64.0           |
| 1998 CRA-reportable loans  | 548                              | 332  | 60.6           |
| Totals   | 2,356                            | 1,436  | 61.0           |
| <i>(1) Includes the bank's mortgage loans and loans made by M&amp;I Mortgage Corp. based on applications referred by the bank.</i> |                                  |  |                |
| <i>(2) Includes activity through June 30, 1999.</i>  |                                  |  |                |
| <i>NOTE: Year-to-date 1999 CRA-reportable loan activity reports were not available at the time of this analysis.</i>               |                                  |  |                |

The preceding chart illustrates that the bank consistently originates the majority of its lending in its assessment area, with 59% to 64% of the bank's HMDA- and CRA-reportable lending originated within its assessment area. A further review of the bank's reports which analyze CRA-reportable loans reveals that the dollar amount of these transactions within the assessment area in 1997 and 1998 were 63.6% and 63.4%, respectively, which is consistent with the figures shown in the preceding chart.

### Borrower Characteristics

The bank's reports analyzing HMDA- and CRA-reportable loans were also utilized to evaluate the bank's lending to borrowers of different incomes and to businesses of different revenue sizes. The following chart summarizes the bank's HMDA-reportable lending to borrowers of different income levels, including both the bank's own loans and loans originated by M&I Mortgage Corp. based on applications referred by the bank:

| M&I LAKE COUNTRY BANK<br>HMDA-REPORTABLE LOANS WITHIN THE BANK'S ASSESSMENT AREA<br>BY BORROWER INCOME CHARACTERISTICS |      |       |      |       |          |       |       |       |                     |                    |       |
|--|------|-------|------|-------|----------|-------|-------|-------|---------------------|--------------------|-------|
| Borrower Income Classification   | 1997 |       | 1998 |       | 1999 (1) |       | Total |       | Assessment Area (2) | Aggregate Data (3) |       |
|  | #    | %     | #    | %     | #        | %     | #     | %     |                     | 1997               | 1998  |
|  |      |       |      |       |          |       |       |       | %                   | %                  | %     |
| Low-income   | 7    | 3.8   | 7    | 1.8   | 11       | 7.1   | 25    | 3.4   | 7.5                 | 2.7                | 2.6   |
| Moderate-income  | 18   | 9.7   | 38   | 9.7   | 16       | 10.4  | 72    | 9.9   | 12.7                | 11.1               | 12.0  |
| Middle-income  | 38   | 20.5  | 97   | 24.9  | 47       | 30.5  | 182   | 25.0  | 25.6                | 28.3               | 27.5  |
| Upper-income   | 122  | 66.0  | 248  | 63.6  | 80       | 52.0  | 450   | 61.7  | 54.2                | 57.9               | 57.9  |
| Totals   | 185  | 100.0 | 390  | 100.0 | 154      | 100.0 | 729   | 100.0 | 100.0               | 100.0              | 100.0 |

(1) Year-to-date information through June 30, 1999.  
(2) Distribution of families in the assessment area by median family income, per 1990 census data.  
(3) Data for all HMDA-reportable lenders, excluding M&I Lake Country Bank, in the assessment area for each year.

The percentage of HMDA-reportable loans made by the bank to low- and moderate-income borrowers in its assessment area is lower than the percentage of low- and moderate-income families in the area, but is generally consistent with the 1997 and 1998 aggregate lending levels. This performance is considered to be reasonable since the assessment area housing demographics indicate that there is a significant shortage of affordable housing, which in turn limits the opportunities for low- and moderate-income individuals to purchase homes and to obtain mortgage loans.

The bank's lending to businesses of different revenue sizes based on information reported in the CRA-LAR is as follows:

| <b>M&amp;I LAKE COUNTRY BANK</b>  |                       |          |                       |          |                       |          |
|---|-----------------------|----------|-----------------------|----------|-----------------------|----------|
| <b>CRA-REPORTABLE LOANS BY LOAN SIZE AND GROSS BORROWER REVENUES</b>  |                       |          |                       |          |                       |          |
|   | <b>1997</b>           |          | <b>1998</b>           |          | <b>Total</b>          |          |
|   | <b># of<br/>Loans</b> | <b>%</b> | <b># of<br/>Loans</b> | <b>%</b> | <b># of<br/>Loans</b> | <b>%</b> |
| <b>Original Loan Amount (1)</b>   |                       |          |                       |          |                       |          |
| Up to \$100,000   | 265                   | 70.9     | 218                   | 65.6     | 483                   | 68.4     |
| Over \$100,000 to \$250,000   | 66                    | 17.6     | 61                    | 18.4     | 127                   | 18.0     |
| Over \$250,000 to \$1,000,000   | 43                    | 11.5     | 53                    | 16.0     | 96                    | 13.6     |
| Totals  | 374                   | 100.0    | 332                   | 100.0    | 706                   | 100.0    |
| <b>Borrower's Gross Annual Revenues</b>   |                       |          |                       |          |                       |          |
| Up to \$1,000,000   | 292                   | 78.1     | 253                   | 76.2     | 545                   | 77.2     |
| Over \$1,000,000  | 82                    | 21.9     | 58                    | 17.5     | 140                   | 19.8     |
| Unknown or not used in credit decision  | 0                     | 0.0      | 21                    | 6.3      | 21                    | 3.0      |
| Totals  | 374                   | 100.0    | 332                   | 100.0    | 706                   | 100.0    |
| <i>(1) For CRA-reporting purposes, a "small business loan" is based on the dollar amount of the loan and includes those with an original amount of \$1,000,000 or less.</i> |                       |          |                       |          |                       |          |

The preceding chart demonstrates that the bank has originated a substantial number of small business loans (706 in two years), with a majority of these loans being in amounts of \$100,000 or less, the amounts small business borrowers need the most. Furthermore, 545 of these 706 commercial loans, or 77.2%, were made to those small businesses with revenues of less than \$1 million. This data indicates that the bank has been responsive to the borrowing needs of businesses of all revenue sizes in its assessment area.

#### Innovative or Flexible Lending Practices

The bank offers a variety of secured and unsecured loan products for consumers and businesses including term loans, lines of credit, credit cards and numerous real estate mortgage loan options. As previously noted, the bank also offers additional mortgage loan products through its affiliate, M&I Mortgage Corp., which has resulted in 469 loan originations through this affiliate during the 18 months ending June 30, 1999. The bank has also originated four FHA loans totaling \$392,000, five VA loans totaling \$528,000, two WHEDA loans totaling \$179,000, five SBA loans totaling \$295,000 and two PECFA loans totaling \$180,000 since 11/1/97.

The bank has made certain other small business reportable loans that merit separate discussion due to their community development purpose. These loans are summarized as follows:

- In March, 1999, the bank extended a \$460,000 loan for site improvements on a former factory site that is being developed into an owner-occupied subdivision of affordable housing in the city of Waukesha by a local not-for-profit organization. As of the examination date, \$120,000

has been funded.

- In May, 1999, the bank extended a \$15,000 operating line of credit to a Waukesha County not-for-profit organization that develops affordable housing and provides housing rehabilitation assistance to low- and moderate-income individuals and families.
- In July, 1999, the bank provided two loans totaling \$120,000 to a not-for-profit organization to acquire a small office building in Jefferson County that will be used to house their operations. This organization provides various services, including housing assistance, food, clothing, counseling, and child care, to low- and moderate-income residents of Waukesha, Jefferson and Dane Counties.

### Community Development Lending

The opportunities for the bank to originate loans that meet the community development definition under the CRA are very few and infrequent because of the generally high level of affluence in the assessment area, as supported by the economic and demographic characteristics of the area. Discussions with community representatives within the assessment area confirm the lack of such opportunities in the county. These representatives, however, have identified the continuing need for affordable housing in Waukesha County to enable local business and industry to have housing for its workforce. The development of such affordable housing, however, is hampered by high land, development and building costs and zoning restrictions imposed by the various local municipalities. Within the past two years, the bank has made several loans, including those described in more detail above, to organizations that support affordable housing. Bank management continues to express its desire to seek out and make qualified community development loans as opportunities become available.

### **CONCLUSION**

The bank's overall lending performance is considered to be strong. The bank's loan-to-deposit ratio is well above its national peer group and reflects bank management's commitment to meeting the credit needs of its assessment area. The bank's loan portfolio reflects a loan mix that meets the borrowing needs of its community. In addition, the majority of its lending is originated within the assessment area. Lending to businesses of all sizes, especially those with revenues of less than \$1 million is excellent; lending to consumers of different incomes is reasonable considering the high cost of housing in the area. The bank has demonstrated its willingness to make community development loans, but the availability of these opportunities is inhibited by the local economic and demographic characteristics of the assessment area.

### **INVESTMENT TEST**

Discussions with bank management and community representatives have revealed that there are few opportunities for local financial institutions to make qualifying community development investments in the assessment area, again primarily as a result of the economic and population demographic characteristics of the area. Nevertheless, the bank has made the following investments and donations:

- In May, 1998, the bank made a \$25,000 revolving commitment to the \$750,000 loan pool designated for the Housing Rehab Program, a joint activity of the Waukesha County Lenders Consortium and the Community Housing Initiative, Inc., a non-profit organization that focuses on housing needs of low- and moderate-income households. Low- and moderate-income residents of Waukesha County may apply for home improvement loans under this program. Currently the bank has \$11,165 outstanding against this commitment, which is handled as an investment.
- In October, 1998, the bank made a contribution of \$865 to the United Way of Waukesha County and designated that the money be directed to two specific programs that assist low- and moderate-income individuals in finding affordable housing -- the Community Housing Initiative, Inc. and the Hebron House of Hospitality, Inc., a local shelter for homeless and abused women.
- In November, 1998, a contribution of \$1,350 was made to the Waukesha County Home Buyer's Program of the Waukesha County Lenders Consortium to support the operations of a homebuyer counselor. This organization provides various loan services and counseling programs for Waukesha County residents, especially those designated as low- and moderate-income.

## **CONCLUSION**

The bank's investment performance is considered to be generally strong. Bank management continues to pursue local investment opportunities as they become available, but the number of such opportunities within the assessment area is limited.

## **SERVICE TEST**

The bank's retail banking delivery systems and community development services were reviewed. The products and services provided by the bank were evaluated for range, accessibility, innovativeness and responsiveness.

### Retail Banking Services

M&I Lake Country Bank maintains six full-service branches and six ATMs (five of which are also full-service) in five communities within its assessment area. In addition, other M&I affiliated banks operate ATMs within the assessment area, providing the bank's customers with additional access to their respective accounts. The bank provides a wide range of deposit and loan products to the residents of the assessment area; additional mortgage products offered by M&I Mortgage Corp. are also available. These deposit and loan products are consistent with the needs of the community, which was confirmed through discussions with community representatives.

Included among the bank's products and services are the following products, which would appeal to low- and moderate-income individuals and to small businesses:

- *Basic Checking* is a no minimum balance account that allows up to ten free debits each month with a low \$3.00 per month maintenance fee.
- *Young Adult Checking and Savings* accounts have no minimum balance requirements, low monthly maintenance fees, and a no annual fee credit card to qualifying students 18 years of age or older.
- *Small Business Checking*, which is available to businesses, non-profit groups, and governmental units, offers reasonable fees if monthly account activity is low and a minimum daily balance of \$1,000 is maintained.
- *10-Year Turbo Mortgage Refinance* is a loan product that allows homeowners to quickly refinance existing mortgages up to \$100,000 at minimal cost and at competitive interest rates. The customer receives a credit decision within one hour, closing can occur in as little as 72 hours after approval, and costs are minimized through reduced appraisal and title insurance requirements.

### Distribution of Branches Among Geographies

The bank's office locations, hours of operation, and ATMs is summarized in the following chart:

| M&I Lake Country Bank Facilities and Hours of Operation  |                     |   |   |          |
|--|---------------------|---|---|----------|
| Branch Name, Address and ATM Location  | Census Tract Number | Hours of Operation  |   |          |
|  |                     | Lobby   |   | Drive-Up |
| Main Office<br>112 E. Capitol Drive<br>Hartland, Wisconsin<br>ATM location: Off-site (in an industrial park)                   | 2036.00             | M-Th 9:00 am - 5:00 pm<br>Friday 9:00 am - 6:00 pm<br>Saturday 9:00 am - Noon | M-Th 8:00 am - 5:30 pm<br>Friday 8:00 am - 6:00 pm<br>Saturday 9:00 am - Noon |          |
| Delafield Office<br>2700 Golf Road<br>Delafield, Wisconsin<br>ATM location: On-site  | 2037.00             | M-Th 9:00 am - 5:00 pm<br>Friday 9:00 am - 6:00 pm<br>Saturday 9:00 am - Noon | M-Th 8:00 am - 5:30 pm<br>Friday 8:00 am - 6:00 pm<br>Saturday 9:00 am - Noon |          |
| North Lake Office<br>W315 N7685 State Hwy 83<br>North Lake, Wisconsin<br>ATM location: On-site                                 | 2035.00             | M-Th 9:00 am - 5:00 pm<br>Friday 9:00 am - 6:00 pm<br>Saturday Closed         | M-Th 9:00 am - 5:00 pm<br>Friday 9:00 am - 6:00 pm<br>Saturday 9:00 am - Noon |          |
| Oconomowoc Office<br>1456 Summit Avenue<br>Oconomowoc, Wisconsin<br>ATM locations: On-site and Off-site (At Nautilus Car Wash) | 2043.00             | M-Th 9:00 am - 5:00 pm<br>Friday 9:00 am - 6:00 pm<br>Saturday 9:00 am - Noon | M-Th 8:00 am - 5:30 pm<br>Friday 8:00 am - 6:00 pm<br>Saturday 9:00 am - Noon |          |
| Oconomowoc North Office<br>326 E. Wisconsin Avenue<br>Oconomowoc, Wisconsin<br>No ATM  | 2043.00             | M-Th 9:00 am - 5:00 pm<br>Friday 9:00 am - 6:00 pm<br>Saturday 9:00 am - Noon | M-Th 8:00 am - 5:30 pm<br>Friday 8:00 am - 6:00 pm<br>Saturday 9:00 am - Noon |          |
| Waukesha/Highway J Office<br>N14 W23999 Stone Ridge Rd<br>Waukesha, Wisconsin<br>ATM location: On-site                         | 2033.02             | M-Th 9:00 am - 5:00 pm<br>Friday 9:00 am - 6:00 pm<br>Saturday 9:00 am - Noon | M-Th 8:00 am - 5:30 pm<br>Friday 8:00 am - 6:00 pm<br>Saturday 9:00 am - Noon |          |

All six ATMs are available 24 hours per day with drive-up access. The off-site ATM in Oconomowoc is limited to cash disbursements. There have been no changes in the number or location of any branch offices or ATMs and no changes in the bank’s hours of operation since the previous CRA examination.

Alternative Systems for Delivering Retail Banking Services

Any M&I bank customer with an ATM card may use any other M&I affiliate bank’s ATM at no cost. Any M&I customer may also obtain a variety of deposit and loan services at any M&I affiliate bank location. These services include: making deposits to and withdrawals from checking, savings and money market accounts; making loan and M&I credit card payments; and making federal tax deposits when the check is drawn on any M&I bank. The M&I family of bank branch locations includes over 200 banking offices and over 200 ATMs within Wisconsin, providing M&I bank customers with a wide network of locations for accessing their accounts.



Customers may also access information about their accounts by telephone using “MiLine” - an automated voice response system with 24-hour availability - which allows customers to obtain current interest rate information in addition to verifying account balances, determining if a specific check has cleared, or transferring funds between accounts. Expanded access to account information and bank services can also be obtained through “MiDirect”, which is available to both customers and non-customers 24 hours a day. Through MiDirect, callers can speak with a bank representative to open an account, apply for a loan, place a stop payment on a check, or request other account information. The services available through MiLine are also available on MiDirect. M&I customers with personal computers and specific software provided by the bank can access account information and bank services through “MiWeb”, which includes the services available on MiLine as well as a bill payment service and online money management tools.

### Community Development Services

One of the bank’s mortgage loan officers is actively involved as a board member and chairman of the Plans and Priorities Committee of the Community Action Coalition for South Central Wisconsin, Inc. This not-for-profit organization serves a three-county area including Waukesha County and actively works to reduce poverty through assistance with food, clothing and housing and by providing skills development and counseling for low- and moderate-income individuals. This officer is also a member of the Waukesha County Lenders Consortium, which works alone and in partnership with other community organizations to address affordable housing and other community improvement and development issues in the county.

As noted previously, the economic demographics of the assessment area limit the amount of services and organizations operating within the county that address community development activities, as defined under the regulation. This, in turn, limits the opportunities for the bank and its representatives to participate in such activities

### **CONCLUSION**

The bank’s performance under the service test is considered strong. The bank’s system of delivering services is extensive, including its own branch office and ATM locations, telephone access, personal computers and its affiliate branch locations and ATMs. Lobby and drive-up hours are reasonable. The range of deposit and loan product offerings is significant and meets the needs of the residents of the assessment area, including those designated as low- and moderate-income. Community development service opportunities are limited by the economic characteristics of the assessment area.

**GENERAL**

The bank is in compliance with the substantive portions of antidiscrimination laws and regulations, including the Equal Credit Opportunity and Fair Housing Acts. A significant portion of consumer loan underwriting has been centralized, which has been reviewed in a recent 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.