

## **PUBLIC DISCLOSURE**

December 27, 2000

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**M&I BANK OF SHAWANO**

RSSD Number: 1017443

101 N. Main Street  
Shawano, Wisconsin 54166

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 Shawano, Shawano, Wisconsin**, prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **December 27, 2000**. The agency evaluates performance in assessment areas, as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

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

M&I Bank of Shawano's lending efforts are consistent with its size, local competitors and current economic conditions in its assessment area. The bank has a generally strong record of serving its assessment area, based upon its lending, qualified investments and services activity. The number and distribution of loans made within the bank's assessment area to individuals of different income levels and to businesses and farms of different sizes is considered generally strong. Community development lending and investment opportunities are limited; however, the bank continues to make a concerted effort to pursue such opportunities within its assessment area. The bank offers a wide variety of loan programs to enhance the types of home purchase, small business and small farm loans available to its customers. The examination revealed no patterns or practices intended to discriminate against or discourage applications from any member of a protected class. No complaints related to this institution's CRA performance were received by this institution or this Reserve Bank since the previous examination.

The following table details the performance level of **M&I Bank of Shawano, Shawano, 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**.

PERFORMANCE LEVELS	M&I BANK OF SHAWANO		
	PERFORMANCE TESTS		
	Lending Test	Investment Test	Service Test
Outstanding			
High Satisfactory	X		X
Low Satisfactory		X	
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 Shawano is wholly-owned by Marshall & Ilsley Corporation, a multi-bank holding company based in Milwaukee, Wisconsin. Marshall & Ilsley Corporation had \$25,249,274,000 in total assets as of September 30, 2000. M&I Bank of Shawano had total assets of \$271,356,000 as of September 30, 2000. No financial or legal impediments exist that might affect the institution's ability to meet the credit needs of its assessment area. The bank's CRA performance was most recently evaluated as of December 15, 1997, at which time it was rated satisfactory.

The bank's branch network consists of its main office, two branch locations, and one drive-through facility. Two of the bank's branches and the drive-through facility are located in Shawano, Wisconsin, a community approximately 30 miles west of Green Bay, Wisconsin. The bank has one additional branch in Clintonville, which is approximately 15 miles southwest of Shawano. Both of the bank's branches are located in middle-income block numbering areas (BNAs). Additionally, the bank operates three automated teller machines (ATMs) in the City of Shawano and one at the Mohican North Star Casino in Bowler, Wisconsin.

The bank offers a variety of credit products to meet the credit needs of its assessment area. The types of credit offered by the bank include commercial, residential real estate mortgage (including fixed- and adjustable-rate mortgage and variable-rate construction), agricultural, consumer and student loans, and home equity lines of credit. The bank also participates in several State of Wisconsin and federally-sponsored loan programs including the Veterans Administration (VA), the Wisconsin Housing and Economic Development Authority (WHEDA), the Federal Housing Administration (FHA), the Small Business Administration (SBA), the Farm Service Agency (FSA), and the Petroleum Environmental Cleanup Fund Act (PECFA).

Competition within the bank's assessment area is derived from branches of very large financial institutions and a number of smaller local banks, thrifts, and credit unions. Bank management identified the following depository organizations as its main competitors: First Northern Savings Bank, S.A.; Associated Bank; Pioneer Credit Union; and Antigo Credit Union. Additional competition in the assessment area includes State Bank in Gresham, Bonduel State Bank in Bonduel, and Banner Banks in Birnamwood.

Loans and leases totaled \$142,238,000 or 52.42 percent of total assets based upon the bank's September 30, 2000 Report of Condition. The composition of the bank's total loan portfolio and the distribution of those loans secured by real estate as of the same date, are detailed in Table 1 and Table 2, respectively.

M&I Bank of Shawano's Loan Portfolio as of September 30, 2000		
Table 1		
Product	Amount (\$000)	% of Total Loans & Leases
Real Estate Secured	105,432	74.12%
Commercial and Industrial	18,703	13.15%
Consumer (Individual Credit Card and Other)	8,869	6.24%
Agricultural	6,048	4.25%
Other (States and political subdivisions in U.S. and All other)	3,186	2.24%
<b>Total Loans &amp; Leases</b>	<b>142,238</b>	<b>100.00%</b>

M&I Bank of Shawano's Real Estate Secured Loan Portfolio as of September 30, 2000		
Table 2		
Product	Amount (\$000)	% of Total Real Estate Loans
1-4 Family (Residential Mortgage)	61,742	58.56%
Commercial	24,891	23.60%
Farm Land	8,519	8.10%
1-4 Family (Revolving Lines of Credit)	7,847	7.44%
Construction and Land Development	1,406	1.33%
Multi-family dwellings	1,027	0.97%
<b>Total Real Estate Loans</b>	<b>105,432</b>	<b>100.00%</b>

Residential real estate lending represents approximately 74 percent of the bank's loan portfolio, followed by commercial/industrial lending, at approximately 13 percent, as illustrated in Table 1. The largest percentage of the bank's real estate secured lending portfolio by dollar volume consists of 1-4 family residential real estate loans at 58.56 percent followed by commercial real estate at 23.60 percent,

as shown in Table 2. Consumer lending represents a small percentage of the bank’s loan portfolio at only 6.24 percent.

**DESCRIPTION OF M&I BANK OF SHAWANO’S ASSESSMENT AREA**

The bank has defined its assessment area as 11 block numbering areas including all of Menominee and portions of Shawano and Waupaca Counties. The bank designated eight middle-income BNAs in Shawano County and two middle-income BNAs in Waupaca County as the largest portion of its assessment area. The remaining BNA, which includes all of Menominee County and the Menominee Indian Reservation, is designated as low-income, based upon 1990 census data.

The population of the bank’s assessment area is 37,663, which includes 13.8 percent minorities, based upon 1990 census data. The largest communities in the assessment area include the City of Shawano (population 8,073), the town of Menominee (population 4,737), and the City of Clintonville (population 4,628), according to The State of Wisconsin Department of Administration (DOA) 2000 estimates. Most communities in the bank’s assessment area have not experienced a dramatic increase or decrease in population mostly due to the relatively strong local economy and relative proximity to Green Bay, Wisconsin. The DOA has also estimated that the town of Menominee has experienced the largest gain in population of any local municipality at approximately 22 percent, which is a direct result of more Native American tribal families returning to the reservation. The following table details the distribution of the assessment area population by median family income in comparison to Menominee, Shawano, and Waupaca Counties, the State of Wisconsin, and all non-metropolitan areas of the State.

M&I Bank of Shawano Assessment Area Summary of Population by Levels of Family Income Table 3							
	Median Family Income		Percentage of Families				Incomes Below Poverty Level
	2000 Estimate	1990 Census	Low-Income	Moderate-Income	Middle-Income	Upper-Income	
Assessment area	N/A	\$27,894	22.1%	19.6%	27.6%	30.7%	11.2%
Menominee County	\$22,500*	\$14,819	51.0%	19.0%	13.1%	16.9%	41.3%
Shawano County	\$45,100*	\$28,748	19.6%	19.9%	28.1%	32.3%	8.5%
Waupaca County	\$51,900*	\$31,646	14.7%	19.5%	26.0%	39.9%	5.9%
Non-Metro: WI	\$46,700*	\$30,290	17.6%	19.5%	25.5%	37.5%	7.9%
State of Wisconsin	\$54,300*	\$35,082	17.9%	18.7%	26.5%	36.9%	7.6%

\*Department of Housing and Urban Development (HUD) estimate.

N/A = Not Available

As the previous table illustrates, the assessment area median family income is generally consistent with all other non-metropolitan areas of the State, based upon 1990 census data. The assessment area’s

percentage of families with incomes below the poverty level is slightly above that of all non-metropolitan areas of the State and the State as a whole since a significant percentage of the population of Menominee County (41.3 percent) have incomes below the poverty level. A majority (58.3%) of the families that reside within the bank’s assessment area are considered either middle- or upper-income, based upon 1990 census data.

The assessment area includes 17,374 housing units, which have a median value of \$46,280, based upon 1990 census data. The percentages of owner-occupied, rental and vacant units are 60.4 percent, 20.5 percent, and 19.0 percent, respectively. These figures are very similar to all other non-metropolitan areas of Wisconsin. There are over 18,605 housing units in Shawano County, of which over 13,000 are single-family dwelling units, according to a 1999 estimate by Shawano County Economic Progress, Inc. The same organization estimated that the median housing value of these owner-occupied dwellings in Shawano County is approximately \$80,000, which is a significant increase since 1990. The following table details information compiled by a local Shawano County real estate association that outlines the actual sales price and number of home sales in Shawano and Menominee Counties during 2000.

<b>M&amp;I Bank of Shawano Summary of Home Sales for 2000 Table 4*</b>		
<b>Home Sale Price</b>	<b>Shawano County</b>	<b>Menominee County</b>
\$0 – 49,999	46	1
\$50,000 – 79,999	76	4
\$80,000 – 119,000	65	8
\$120,000 +	79	16
<b>Totals</b>	<b>266</b>	<b>29</b>

\* Information based on 2000 sales statistics issued by a local realtor; Waupaca County figures are unavailable

As the previous table illustrates, the number of homes with sales prices in excess of \$80,000 supports the estimate previously cited by Shawano County Economic Progress, Inc. These figures include all residential owner-occupied homes, new construction and waterfront property. It is also important to recognize that 24 of 29 (83 percent) of the homes sold in Menominee County in 2000, were sold for \$80,000 or more. This is significant since all of Menominee County is considered a low-income census tract, based upon 1990 census data. Furthermore, the gross monthly rent in Shawano County rose from \$305 in 1990 to an estimated \$350 in 1999, indicating that housing is still relatively affordable. Several community representatives indicated a need for more affordable housing in and around Shawano County, despite the indication that housing is still relatively affordable.

A review of the housing affordability index details the relative affordability in the assessment area compared to the State. The affordability index (ratio) is calculated by dividing the median family income by the median housing value for a given area. An area with a higher ratio generally has more affordable housing than an area with a lower ratio. The affordability ratio for this assessment area is 0.49, compared to 0.51 for all non-metropolitan areas of the State, based on 1990 census data. These



figures indicate that housing costs in the bank’s assessment area are slightly less affordable in comparison to all non-metropolitan areas of the State of Wisconsin. This assessment area’s affordability index is at this level since it reflects the 0.30 index from the low-income BNA in Menominee County in which the median family income is much lower than in the other counties in the assessment area.

Unemployment rates from November 2000 for Shawano County, Waupaca County, and Menominee County were 3.2 percent, 2.8 percent, and 6.6 percent respectively, according to the Wisconsin Department of Workforce Development (DWD). The DWD estimated the State’s unemployment rate as of November 2000 at 2.7 percent, which indicates that all three county figures are overall higher than the state percentage. In fact, Menominee County had the highest unadjusted unemployment rate (7.6%) in the State as of November 1999; however, its current level is second highest among all Wisconsin counties. Shawano County has a diversified industrial base with manufacturers in papermaking products, textiles, wood products, iron works, agriculture, and food processing. A number of the community representatives interviewed during the course of this examination believe there is a skilled labor shortage in and around Shawano County. One community representative stated that if there were more affordable housing available, then low- and moderate-income families would relocate to the area, adding new workers to the labor force. A listing of the largest local employers is summarized in the following table.

<b>M&amp;I Bank of Shawano                      Shawano County Major Employers                      Table 5</b>			
<b>COMPANY</b>	<b># OF EMPLOYEES</b>	<b>CITY</b>	<b>PRODUCT/SERVICE</b>
Stockbridge – Munsee (Community Band of Mohicans)	753	Bowler	Government, Casino
Shawano County	450	Shawano	Government
Shawano-Gresham School District	418	Shawano	Education
Aarrowcast	342	Shawano	Industrial Casings and Patterns
Shawano Medical Center	325	Shawano	Health Care
K-I	225	Bonduel	Office & Industrial Furniture Manufacturer
Wittenberg-Birnamwood School District	224	Wittenberg	Education
Little Rapids Corp. – Shawano Mill	215	Shawano	Specialty Paper Products
Wal-Mart	213	Shawano	Retailer
Reinhart Institutional Foods, Inc.	202	Shawano	Restaurant & Institutional Foods Distributor

Other large regional employers include Menominee Indian Tribe Medical Clinic (over 500 employees),

Menominee Casino-Bingo-Hotel (over 500 employees), and Waupaca Foundry, Inc. (over 1,000 employees) in addition to the employers listed above. Shawano County is conveniently located 35 miles west of Green Bay and 45 miles north of Appleton, which increases the opportunities for other employment options.

A review of all FDIC-insured deposits in the bank's assessment area as of June 30, 2000 indicates that the bank is ranked first out of 12 institutions in Shawano County and tenth out of 11 institutions in Waupaca County, based on the amount of FDIC-insured deposits held by the bank compared to all FDIC-insured deposits in each county. No information was available for Menominee County since there are currently no branches of FDIC-insured institutions in the county.

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

M&I Bank of Shawano's performance under the lending, investment and service tests is summarized in each section. Lending data and pertinent supporting information related to performance characteristics for the bank's assessment area follows in detail.

### **LENDING TEST**

The bank's performance under the lending test was evaluated with 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 corporate analyses of the bank's 1998, 1999 and nine-month year-to-date 2000 Home Mortgage Disclosure Act (HMDA)-reportable lending (including that of M&I Mortgage Corp.) 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 area.

The assessment of M&I Bank of Shawano's performance includes a review of its overall lending activity; assessment area lending concentration; geographic distribution of lending; distribution of lending to borrowers of different income levels; community development lending; lending to small businesses and small farms; and product innovation and flexibility. Small business loans are defined in the regulation as those commercial loans with an original loan amount of \$1 million or less. Small farm loans are defined in the regulation as those agricultural loans with an original loan amount of \$500,000 or less.

### **Lending Volume**

The bank's loan portfolio was reviewed to assess overall volume compared to its national peer group and its local competitors. Consolidated report of condition data as of September 30, 2000 was utilized to evaluate the bank's net loan-to-deposit ratios in relation to its peer group. The bank's September 30, 2000 net loan-to-deposit ratio was 62.85% as compared to 79.03% for its national peer group, as illustrated in the table below:

Loan-to-deposit ratio comparison between M&I Bank of Shawano, Local Area Competitors and its Peer Group		
Table 6		
Institution; Location	Total Assets at 9/30/00 (000)	Loan-to-Deposit Ratio
		At 9/30/00
Associated Bank, N.A.; Green Bay	\$2,505,239	103.03%
Banner Banks; Birnamwood	\$74,114	90.31%
Nationwide Peer Group	N/A	79.03%
<b>M&amp;I Bank of Shawano; Shawano</b>	<b>\$271,356</b>	<b>62.85%</b>
State Bank; Gresham	\$18,655	54.32%
Bonduel State Bank; Bonduel	\$40,612	48.12%

N/A - Not Applicable

The bank’s overall lending levels reflect a generally strong responsiveness to credit needs within its assessment area. The bank’s average net loan-to-deposit ratio over the past 12 quarters since the previous CRA examination is 57.73 percent, which is lower than that of its national peers, at 72.83 percent. The bank has improved its loan-to-deposit ratio each quarter since its acquisition of its Clintonville office in August of 1998. At the time the branch was acquired, M&I Bank of Shawano was given all of the deposits and none of the loans - which has led to a lower, twelve-quarter loan-to-deposit ratio. The bank’s most recent loan-to-deposit ratio is higher, however, than two of its local competitors with ratios ranging from 48.12 percent to 54.32 percent.

Assessment Area Concentration

An analysis of the bank’s concentration of lending within its assessment area is based upon the bank’s (including M&I Mortgage Corp.) HMDA-, small business- and small farm-reportable loan originations. The following tables detail the percentage of loans, by product type, that were originated in the bank’s assessment area.

M&I Bank of Shawano 1998 & 1999 <sup>(1)</sup> Mortgage Lending Within its Assessment Area <sup>(2)</sup>						
Loan Product	Mortgage Originations 1998			Mortgage Originations 1999		
	#	Inside the AA	Percentage	#	Inside the AA	Percentage
	Home Purchase	153	120	78.43	162	124

Refinancing	162	139	85.80	60	41	68.33
<b>Total Mortgage Loans</b>	315	259	82.22	222	165	74.32

(1) Aggregate figures are unavailable since the bank is not located in an MSA.

(2) Information based on loans originated by M&I Mortgage Corp.

As Table 7 illustrates, the bank originates a majority of its mortgage lending activity within its assessment area. Approximately 82 percent of the bank's total 1998 HMDA-reportable lending and 74 percent of the total 1999 HMDA-reportable lending was within its assessment area. Approximately 82 percent of the bank's year-to-date 2000 HMDA-reportable lending was originated within its assessment area, which continues to reflect its solid performance in extending mortgage credit to local residents.

The loan analyses included in this evaluation revealed that HMDA-reportable loan volumes decreased significantly between 1998 and 1999 for the bank and for the market as a whole. 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.

The bank's 1998 and 1999 lending to small businesses and small farms within its assessment area is summarized in the following table.

<b>M&amp;I Bank of Shawano</b>						
<b>Small Business &amp; Small Farm Lending Within its Assessment Area</b>						
<b>Table 8<sup>(1)</sup></b>						
<b>1998</b>						
<b>Loan Product</b>	<b>Total Originations</b>		<b>Within the Assessment Area</b>			
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Small Business	258	28,451	198	76.74	18,810	66.11
Small Farm	78	5,305	64	82.05	4,076	76.83
<b>1999</b>						
<b>Loan Product</b>	<b>Total Originations</b>		<b>Within the Assessment Area</b>			
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Small Business	307	35,218	218	71.01	20,253	57.51
Small Farm	77	5,733	70	90.90	5,432	94.74

(1) Based on internal analysis completed by corporate staff

The total number of the bank's small business loans has increased from 258 loans in 1998 to 307 loans in 1999, of which 198 (76.7%) and 218 (71.0%), respectively, were made inside its assessment area. Furthermore, approximately 66 percent and 58 percent, respectively of the total dollar amount of the bank's 1998 and 1999 lending to small farms was within its assessment area. The total number of the bank's small farm loan originations remained relatively consistent at 78 in 1998 and 77 in 1999. Approximately 82 percent of 1998 and 91 percent of 1999 small farm loans were originated within the bank's assessment area. In addition, approximately 77 percent and 95 percent, respectively, of the total dollar amount of the bank's 1998 and 1999 lending to small farms was within its assessment area.

An analysis of the bank's small business and small farm lending compared to aggregate market figures is summarized in the following table.

<b>M&amp;I Bank of Shawano Small Business and Small Farm Lending Within its Assessment Area Compared to Market Aggregate Table 9<sup>(1)</sup></b>						
<b>1998</b>						
Loan Product	<b>Bank Originations</b>		<b>Total Aggregate Market Originations</b>			
	#	\$(000s)	#	Bank %	\$(000s)	Bank %
Small Business	198	18,810	358	55.30	34,779	54.08
Small Farm	64	4,076	111	57.66	6,188	65.87
<b>1999</b>						
Loan Product	<b>Bank Originations</b>		<b>Total Aggregate Market Originations</b>			
	#	\$(000s)	#	Bank %	\$(000s)	Bank %
Small Business	218	20,253	649	33.59	45,311	44.69
Small Farm	70	5,432	117	59.83	7,273	74.69

(1) Based on internal analysis completed by corporate analysts.

As Table 9 illustrates, the bank continues to be a leader in small business and small farm reportable lending in the assessment area. Bank lending represented 55 percent and 34 percent, respectively, of the aggregate number of small business loans in 1998 and 1999 inside its assessment area, according to a corporate lending analysis. In addition, bank lending represented 54 percent and 45 percent, respectively, of the total dollars lent to small businesses in the assessment area in 1998 and 1999.

Bank lending to small farms in its assessment area is even stronger. Bank lending represented between 58 percent and 60 percent of the aggregate of all reported lending in 1998 and 1999. In addition, bank lending represented 66 percent and 75 percent, respectively, of the total dollars lent to small businesses in its assessment area in 1998 and 1999.

The level of the bank's originations of small business and small farm loans inside its assessment area in both 1998 and 1999 is strong.

### **Geographic Distribution**

The geographic distribution of real estate, small business and small farm lending was also reviewed to assess the bank's lending activity in geographies of different income levels within its assessment area, particularly those defined as low- and moderate-income. The only low- or moderate-income geography in the bank's assessment area is BNA 9701 representing all of Menominee County. The remaining BNAs in the bank's assessment area are considered middle-income, based upon 1990

census data. The data representing the aggregate of all HMDA-reporting lenders is not available since the bank's assessment area is not located in an MSA.

The bank originated 12 of 259 (4.6%) of its total 1998 mortgage loans; eight of 165 (4.8%) of its total 1999 mortgage loans and three of 93 (3.2%) of its year-to-date 2000 mortgage loans in BNA 9701. The difficulty in perfecting real estate mortgage liens on Native American reservations impacts the level of lending in this BNA. Bank management has been proactively working with reservation leaders in order to remedy this issue; however, success has been limited. Furthermore, approximately 41 percent of families who live on the reservation have incomes below the poverty level based upon 1990 census data, which may limit their abilities to obtain mortgage credit.

The geographic distribution of small farm reportable lending will not be included in this analysis since neither the bank nor the aggregate originated any small farm loans in BNA 9701 in 1998 or 1999. Small farm lending opportunities in Menominee County are limited since there are few, if any, commercial farming operations located within the county, based on 1990 census data.

The following table and supporting data illustrate the geographic distribution of the bank's 1998 and 1999 small business reportable lending, including a comparison to the lending of the aggregate of all reporting lenders.

<b>M&amp;I Bank of Shawano</b>							
<b>Geographic Distribution of 1998 and 1999 Small Business Loans</b>							
<b>Table 10<sup>(1)</sup></b>							
<b>Income Level (BNA)</b>	<b>Small Business Loans Reviewed 1998</b>			<b>Small Business Loans Reviewed 1999</b>			<b>% of BNAs within the Assessment Area<sup>(3)</sup></b>
	<b>Bank #</b>	<b>Market #</b>	<b>Market %</b>	<b>Bank #</b>	<b>Market #</b>	<b>Market %</b>	
Low-Income <sup>(2)</sup>	4	6	66.67%	3	26	11.54%	9.10%
Middle-Income <sup>(2)</sup>	194	352	55.11%	215	623	34.51%	90.90%
<b>Totals</b>	198	358	55.31%	218	649	33.59%	100.00%

(1) Information based on internal analysis prepared by corporate analysts.

(2) Bank's assessment area only contains one low- and ten middle-income block numbering areas.

(3) Based on 1990 census data.

The percentage of the bank's overall 1998 small business reportable lending within the low-income BNA of 2.02% is consistent with that of the aggregate of all market lenders of 1.68%. In addition, there are only 32 businesses located in the low-income BNA based upon 1990 census data, of which many are related to tribal activities.

As Table 10 illustrates, the percentage of the bank's overall 1999 small business reportable lending within the low-income BNA of 1.38% is less than that of the aggregate of all market lenders of 4.00%. This is due primarily to two factors, both of which involve another local lending institution. A large regional institution in Green Bay, Wisconsin, Associated Bank, N.A., acquired Citizens Bank, N.A.,

and its holding company in Shawano, in June of 1999. Citizens Bank, N.A. was a small bank (assets of \$152.2 million) at the time of its acquisition, which made it exempt from reporting CRA small business and small farm data. After the acquisition, the number of reported small business loans in Menominee County more than quadrupled from six in 1998 to 26 in 1999 due to Associated Bank, N.A.'s presence in the market. Furthermore, Associated Bank, N.A. was designated the main lending institution by the Menominee Indian Tribe, which could potentially impact the number of customers choosing Associated Bank rather than other area financial institutions. The geographic distribution of the bank's small business lending in 1998 and 1999 in the low-income BNA is consistent with area demographics, especially considering the relatively small number of business lending opportunities within Menominee County.

### **Lending Distribution by Borrower's Income and Business Revenue**

The bank's internal analysis was also utilized to assess the bank's lending to borrowers of different income levels and to businesses of different sizes. The following table and narrative illustrate the distribution of the bank's 1998, 1999 and year-to-date 2000 HMDA-reportable lending including the lending of M&I Mortgage Corp.

<b>M&amp;I Bank of Shawano Borrower Income Distribution 1998, 1999, and 2000 HMDA-Reportable Lending<sup>(1)</sup> Table 11<sup>(2)</sup></b>							
<b>Income Level of Borrower</b>	<b>Percentage of HMDA Loans Reviewed</b>						<b>% of Families within the Assessment Area (1990 Census Data)</b>
	<b>1998</b>		<b>1999</b>		<b>2000<sup>(3)</sup></b>		
	#	%	#	%	#	%	
Low-income	10	3.86	10	6.06	6	6.45	22.10
Moderate-income	36	13.90	24	14.55	14	15.05	19.60
Middle-income	74	28.57	52	31.52	28	30.11	27.60
Upper-income	139	53.67	79	47.87	45	48.39	30.70
<b>TOTALS</b>	<b>259</b>	<b>100.00</b>	<b>165</b>	<b>100.00</b>	<b>93</b>	<b>100.00</b>	<b>100.00</b>

(1) Information in this table is based on HMDA-reportable loans originated by M&I Mortgage Corp.

(2) Aggregate market comparison figures are unavailable since the bank is not located in an MSA.

(3) Based on loans originated from January 1, 2000 through September 30, 2000.

As the previous table illustrates, approximately 18% to 22% of the bank's 1998, 1999 and year-to-date 2000 mortgage loan originations in its assessment area were to low- or moderate-income borrowers. The bank's level of lending to low- and moderate-income borrowers for all three years is lower than the percentages of low- and moderate-income families within the assessment area, based upon 1990 census data. Nevertheless, approximately 11 percent of assessment area families have incomes below the poverty level, based on 1990 census data, generally increasing the barriers to lend to low- and moderate-income families. The bank's lending to low- and moderate-income borrowers is

reasonable considering the percentage of families with incomes below the poverty level.

The following table and narrative illustrate the distribution of the bank’s 1998 and 1999 small business- and small farm-reportable lending in its assessment area, based upon the original loan amount.

M&I Bank of Shawano Distribution of Small Business and Small Farm Loans By Loans Size 1998 Table 12				
Loan Value Category	Small Business Loans		Small Farm Loans	
	Number	Percentage	Number	Percentage
Less than or equal to \$100,000	152	76.77	53	82.81
Greater than \$100,000 but less than or equal to \$250,000	33	16.67	8	12.50
Greater than \$250,000	13	6.56	3	4.69
Total	198	100.00	64	100.00

The bank’s 1998 small business- and small farm-reportable lending reflects a strong level of lending to businesses and farms of different sizes. As Table 12 illustrates, a majority of the bank’s commercial and agricultural loan originations were in amounts of \$100,000 or less - amounts that are typically needed by small businesses and small farms. In addition, approximately 87 percent (172/198) of the bank’s small business loans were to those businesses with gross annual revenues of \$1 million or less. Furthermore, approximately 95 percent (61/64) of the bank’s small farm loans were to those farms with gross annual revenues of \$1 million or less. The following table illustrates the distribution of the bank’s 1999 small business and small farm lending in its assessment area.

M&I Bank of Shawano Distribution of 1999 Small Business and Small Farm Loans By Loans Size Table 13				
Loan Amount	Small Business Loans		Small Farm Loans	
	Number	Percentage	Number	Percentage
Less than or equal to \$100,000	166	76.15	55	78.58
Greater than \$100,000 but less than or equal to \$250,000	37	16.97	11	15.71
Greater than \$250,000	15	6.88	4	5.71
Total	218	100.00	70	100.00

The bank’s 1999 small business- and small farm-reportable lending also reflects a strong level of lending to businesses and farms of different revenue sizes. As Table 13 illustrates, a majority of the bank’s commercial and agricultural loans were in amounts of \$100,000 or less - amounts which are typically



needed by small businesses and small farms. In addition, approximately 81 percent (176/218) of the bank's small business loans were to businesses with gross annual revenues of \$1 million or less. Furthermore, approximately 99 percent (69/70) of the bank's small farm loans were to those farms with gross annual revenues of \$1 million or less.

The bank's 1998 and 1999 lending is considered strong in meeting the credit needs of commercial and agricultural borrowers based upon the demographics of the assessment area and the demand for credit.

### **Community Development Lending**

A community development loan is defined as a loan with one or more of the following as its primary purpose:

- Affordable housing for low- and moderate-income individuals;
- Community services targeted to low- and moderate-income individuals;
- Activities that promote economic development by financing small businesses or small farms;
- Activities that revitalize or stabilize low- or moderate-income neighborhoods.

M&I Bank of Shawano's community development loans were evaluated utilizing the following criteria: the extent to which community development lending opportunities were available to the institution, the responsiveness of the bank's community development lending, and the extent of its leadership in community development lending.

The bank has made two community development loans in its assessment area since the previous examination, although opportunities have been limited. The bank renewed a \$1.5 million revolving operating line (matures annually) to Menominee Tribal Enterprises (MTE). MTE is an integrated logging, sawmill, manufacturing, and forest management operation whose profits are distributed for tribal benefit. MTE represents a significant economic force within the tribe with over 400 employees. The bank also extended a \$3.25 million loan to the Stockbridge-Munsee Band of Mohican Indians to purchase new gaming equipment for its Mohican Northstar Casino. The casino is the main revenue source for this tribe whose members reside primarily in the western portion of the bank's assessment area in Shawano County. The majority of tribe members live in and around Bowler Village (BNA 9806.00), which had a total population of 3,159 residents, of which 25 percent were Native American, based upon 1990 census data. Although the BNA is classified as middle-income, the median family income was only \$24,781, and approximately 49 percent of the residents are considered low- or moderate-income. Furthermore, 14 percent of the families in BNA 9806.00 have incomes below the poverty level, based upon 1990 census data. Both of these community development loans qualify on the basis that this funding revitalizes or stabilizes low- or moderate-income communities.

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

The bank's lending efforts supporting community development are further evidenced by its use of government-guaranteed and flexible lending programs. The bank's 1998, 1999 and year-to-date 2000 lending under these programs is summarized in the following table.

<b>M&amp;I Bank of Shawano Government Assisted Loan Programs 1998, 1999, and 2000</b>							
<b>Table 14</b>							
<b>Program</b>	<b>Program Initials</b>	<b>1998</b>		<b>1999</b>		<b>2000<sup>(1)</sup></b>	
		<b>#</b>	<b>\$(000)<sup>(2)</sup></b>	<b>#</b>	<b>\$(000)<sup>(2)</sup></b>	<b>#</b>	<b>\$(000)<sup>(2)</sup></b>
Federal Housing Administration	FHA	0	0	5	266	0	0
Farm Service Agency	FSA	5	901	0	0	1	125
State Veterans Administration	SVA	3	230	3	219	4	274
Federal Veterans Administration	FVA	12	964	4	369	4	345
Petroleum Environmental Clean-up Fund Act	PECFA	3	325	4	237	1	40
Small Business Administration	SBA	1	165	0	0	1	979
Wisconsin Housing and Economic Development Authority (Residential)	WHEDA – Residential	4	206	6	315	1	46
Wisconsin Housing and Economic Development Authority (CROP)	WHEDA – Crop	0	0	0	0	1	7
Wisconsin Housing and Economic Development Authority (Farm)	WHEDA – Farm	0	0	0	0	1	748

(1) Based on loans originated from January 1, 2000 through September 30, 2000.

(2) Dollars based on original loan amount.

As Table 14 illustrates, the bank's participation in these programs provides the flexibility necessary for both low- and moderate-income individuals as well as start-up and existing small businesses and small farming operations to obtain local financing.

## CONCLUSION

The bank's performance under the lending test demonstrates a high level of responsiveness to the credit needs of the community's small businesses and small farms and is therefore rated *High Satisfactory*. The bank's loan-to-deposit ratio is reasonable considering the acquisition of its newest branch in Clintonville, WI. A significant percentage of the bank's loans are originated in the assessment area. The bank's lending efforts reflect a strong level of lending to borrowers of different income levels and to businesses and farms of different revenue sizes. The bank's overall lending in the low-income BNA was

reasonable considering the demographic composition of Menominee County and its residents. Additionally, the bank participates in loan programs that are responsive to the assessment area's credit needs.

### **INVESTMENT TEST**

The assessment of the bank's performance under the investment test included a review of its investment and grant activity; responsiveness to credit and community development needs and its initiatives having a community development purpose.

#### **Qualified Investment Activity**

Discussions with bank management and community representatives revealed that investment opportunities within the assessment area are limited. The bank had very limited qualified investment or grant activity since the most recent CRA examination. The bank made a \$1,000 donation to a local chapter of Habitat for Humanity, which qualifies as a community development investment. The bank also made a \$4,500 contribution to Shawano County Economic Progress, Inc. (SCEPI), a \$5,763 donation to the Shawano County United Way, and a \$1,680 contribution to the Shawano Area Community Fund. Each of these programs have general mission statements that either promote local economic vitality or assist various social service agencies throughout Shawano County; however, the aforementioned funds were not specifically targeted towards qualified community development activities.

#### **Responsiveness to Available Opportunities**

The bank's current opportunities to respond to community development initiatives are limited; however, its grant activity indicates its willingness to take advantage of the opportunities that exist within its assessment area. The bank's volume of qualified contributions is reasonable considering the opportunities available.

### **CONCLUSION**

The bank's investment performance is rated *low satisfactory*. The bank's current opportunities to respond to community development initiatives are limited, and as a result, there have been relatively few qualified investments or grants made since the previous CRA examination. The bank has shown a willingness to pursue local community development investment opportunities, especially with the Native American entities in its assessment area. The bank is encouraged to continue to seek out additional qualified investment opportunities.

### **SERVICE TEST**

The bank’s systems for delivering retail banking and community development services were reviewed for range and accessibility, responsiveness, and innovation. Additionally, the bank’s record of opening and closing branch offices, and community development service activity were also reviewed.

Retail Banking Services

M&I Bank of Shawano is a full-service bank with three bank locations, a drive-through location, and four ATMs located within its assessment area. There are more than 200 ATMs located throughout the State of Wisconsin operated by M&I affiliates; bank customers are able to use any of these without a service charge. The bank provides a variety of conventional and government loan products, various checking and interest-bearing deposit accounts, and cash management and investment services. The bank provides alternative delivery of banking services through its personal computer home banking; MI Line, a toll-free account access system; and MI Line II, a toll-free customer service hotline manned 24-hours a day. Additionally, Marshall & Ilsley Corporation maintains a web-site for those individuals with Internet access to obtain information regarding M&I products and services.

Distribution of Branches Among Geographies

The following table illustrates the bank’s branch and drive-up facility locations, the communities in which they are located and the days and hours of service.

<b>M&amp;I Bank of Shawano Locations and Hours of Service Table 15</b>					
Office Name/Address	County Name/BNA	Hours of Operation			
		Lobby		Drive-Up	
		Days	Hours	Days	Hours
Shawano-Main Office 101 N. Main Street Shawano, WI. 54166	Shawano/9804.00	Mon.-Thurs. Friday	8:30 am – 4:30 pm 8:30 am – 6:00 pm	Not Available Available	No Available
Shawano Auto Bank <sup>(*)</sup> 204 E. Fifth Street Shawano, WI 54166	Shawano/9804.00	Not Available	Not Available	Mon.-Fri. Saturday	7:30 am – 6:00 pm 7:30 am – 12:00 pm
Shawano Airport <sup>(*)</sup> 206 Airport Road Shawano, WI. 54166	Shawano/9804.00	Mon.-Fri. Saturday	8:30 am – 6:00 pm 8:30 am – 12:00 pm	Mon.-Fri. Saturday	7:30 am – 6:00 pm 7:30 am – 12:00 pm
Clintonville Office 60 10 <sup>th</sup> Street Clintonville, WI. 54929	Waupaca/9911.00	Mon.-Thurs. Friday	8:30 am – 4:30 pm 8:30 am – 6:00 pm	Mon.-Thurs. Friday	8:30 am – 5:00 pm 8:30 am – 6:00 pm

*\* Limited service facility as loan applications are not taken*

Although three of the four bank branches are located in one BNA, they are readily accessible to all individuals in the assessment area including the low-income geography in Menominee County. The

bank's office and drive-up hours are reasonable given the communities within which it operates.

#### Record of Opening and Closing Offices

The bank has not closed any branches since the previous CRA examination. The bank has opened one additional branch in Clintonville, Wisconsin, which is in Waupaca County. This branch was purchased from another M&I Bank affiliate in August of 1998 and it is located in a middle-income geography. This branch allows the bank to extend its products and services into Waupaca County and has not adversely affected low- and moderate-income individuals residing in the assessment area.

#### Community Development Services

The bank provides an adequate level of community development services within its assessment area considering the limited number of opportunities available. These services include providing technical assistance related to the provision of financial services to individuals and nonprofit organizations that serve low- and moderate-income individuals and families, and to small businesses to promote community revitalization and development. A bank official is actively involved in Shawano County Economic Progress Inc. (SCEPI), which provides technical resources to prospective businesses in and around the county. A bank representative is also a member of the Stockbridge Development Organization, as the only non-tribal member of a Native American development corporation that serves a primarily low-income area of Shawano County. Another bank official donated volunteer hours to the Salvation Army, which provides services to low-income families. Several bank representatives have worked with other local organizations, such as the United Way, the Shawano Area Community Fund, and the Shawano Area Chamber of Commerce; however, these organizations' mission statements do not specifically have community development as their primary purpose.

### **CONCLUSION**

The bank's performance under the service test is considered *high satisfactory*. The bank's delivery systems, including electronic delivery systems, are easily accessible within the assessment area. In addition, the bank provides an adequate level of community development services within its assessment area, which demonstrates its attentiveness to the community development needs of its 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 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.