

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 Mayville, Mayville, Wisconsin** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **December 11, 1997**. 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.

The bank's overall lending performance is strong, supported by a high eight-quarter loan-to-deposit ratio and strong loan distribution within the assessment area. The bank had a strong level of lending to small businesses and farms based on the high portion of loans originated to small businesses/small farms with loan amounts of \$100,000 or less, and a high percentage of commercial loans within the assessment area extended to business and farms with gross annual revenues of \$1 million or less. The bank did not have a high level of qualified community development investments and services; however, there are limited opportunities for qualified investments and participation with community development organizations. Retail banking services are accessible for all portions of the assessment area.

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

PERFORMANCE LEVELS	M&I Bank of Mayville		
	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 M&I BANK of MAYVILLE ASSESSMENT AREA

Mayville is located approximately 30 miles northwest of Milwaukee in Dodge County. The bank's assessment area consists of seven block numbering areas (BNAs) which are located in Dodge and Fond du Lac Counties; all of the BNAs comprising the assessment area are middle-income. Based upon 1990 census data, 31,907 individuals reside within the assessment area. The following chart depicts median family income and the number of families within the assessment area geographies:

M&I BANK OF MAYVILLE ASSESSMENT AREA POPULATION		
BNA/Census Tract	Median Family Income \$	Number of Families
9601.00	35,122	1,287
9602.00	34,788	1,001
9612.00	32,121	1,022
9613.00	36,113	1,237
9614.00	34,241	1,020
419.00	35,158	1,793
422.00	36,096	1,325

Approximately 28% of the families in the assessment area have income levels below 80% of the assessment area median family income of \$34,897. The following table compares demographic information for the assessment area, Dodge, Fond du Lac Counties and the State of Wisconsin:

DEMOGRAPHIC COMPARISON M&I BANK OF MAYVILLE ASSESSMENT AREA									
Area/ Number of Families	Low-Income Families		Moderate- Income Families		Middle- Income Families		Upper-Income Families		Median Family Income
	#	%	#	%	#	%	#	%	
Assessment Area 8,685	980	11.3	1450	16.7	2181	25.1	4074	46.9	\$34,897
State of Wisconsin 1,284,297	230,129	17.9	240,790	18.7	339,926	26.5	473,452	36.9	\$35,082

DEMOGRAPHIC COMPARISON M&I BANK OF MAYVILLE ASSESSMENT AREA									
Area/ Number of Families	Low-Income Families		Moderate- Income Families		Middle- Income Families		Upper-Income Families		Median Family Income
	#	%	#	%	#	%	#	%	
Dodge County 20,375	2,395	11.8	3,629	17.8	5,387	26.4	8,964	44.0	\$33,472
Fond du Lac County 23,929	2,841	11.9	3,802	15.9	6,367	26.6	10,919	45.6	\$35,082

The assessment area median family income of \$34,897 is slightly below the State of Wisconsin median family income, but compares favorably with the state nonmetropolitan median family income.

The majority of housing in the assessment area is owner-occupied and single-family. The following tables depict assessment area and state housing information:

SELECTED ASSESSMENT AREA HOUSING CHARACTERISTICS		
Housing Data	Assessment Area	Percent of Total
Owner-occupied units	8,318	72.3
Rental Units	2,488	21.6
Vacant Units	704	6.1
Total Housing Units	11,510	100.0

SELECTED ASSESSMENT AREA HOUSING CHARACTERISTICS			
Housing Data	Assessment Area	Wisconsin State	Wisconsin Non metropolitan
Single-family	77.6	67.7	75.8
2-4 Units	9.5	13.5	7.2
5 and More Units	5.2	12.6	5.7
Built Pre-1950	46.3	36.8	38.6
Median Housing Value	\$57,680	\$62,141	\$50,092

The assessment area owner-occupancy rate of 72.3% is significantly higher than the State of

Wisconsin rate (59.1%) and the nonmetropolitan state (57.1%) owner occupancy rates. Comparison of assessment area and state housing demographic information suggests that the assessment area housing supply consists predominately of older, single-family homes, as almost one-half of the housing in the assessment area was constructed prior to 1950. Although the assessment area median housing value is below the State of Wisconsin median, it exceeds the median housing value for the state's nonmetropolitan areas.

The assessment area economy is fairly well diversified and lacks a single dominant employer. Local residents also commute to John Deere in Horicon and Mercury Marine in Fond Du Lac for employment. The following chart depicts some of the assessment area's largest manufacturing employers:

LARGE EMPLOYERS IN THE ASSESSMENT AREA		
Employer	City/Town	Number of Employees
Beatrice Cheese Inc.,	Mayville	350
Gleason Reel Corp.	Mayville	161
Hubbell Inc., Econoline Products	Mayville	125
Damrow Co., Incorporated	Mayville	125
Giddings & Lewis Automation Control	Fond du Lac	200
Giddings & Lewis Tooling Systems	Fond du Lac	1,000
Quad Graphics, Inc.	Lomira	1,800
Phelon Company, Inc.	Lomira	120

The following chart depicts comparisons of November unemployment rates for Dodge and Fond du Lac Counties in comparison to state unemployment rates:

SELECTED WISCONSIN UNEMPLOYMENT RATES		
Geography	November, 1996 % unemployment	November, 1997 % unemployment
Dodge County	2.3%	2.3%
Fond du Lac County	2.7%	2.9%
State of Wisconsin	2.9%	3.4%

Review of assessment area unemployment rates reveals relative stability in comparison with state averages; although unemployment in Fond du Lac County increased slightly, the rate of increase was less than the rate of increase for the state.

DESCRIPTION OF INSTITUTION

M&I Bank of Mayville, with total assets of \$120,325,000 as of September 30, 1997, is a subsidiary of Marshall & Ilsley Corporation, a multi-bank holding company based in Milwaukee. The bank offers a variety of consumer loan and deposit products from its main office and branch facility which is located in Lomira. Residential real estate loans on 1-4 family homes comprise just under 50% of the loan portfolio.

The bank derives local competition for loans and deposits from a number of financial institutions: Bank One- Beaver Dam, Firstar Bank-Madison, National Bank of Waupun, American National Bank Beaver Dam, and Horicon State Bank. The bank's relationship with its holding company in Milwaukee, and affiliate network throughout the state, including M&I Mortgage Company, enables it to provide a wide variety of services to its assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The bank's loan portfolio was reviewed to analyze the institution's lending volume geographic distribution of loans, the distribution of lending by borrower characteristics, community development lending and the use of innovative and flexible lending practices.

Lending Volume

The bank's average quarterly loan-to-deposit ratio for the previous eight quarters is 80.85%. The following table depicts eight quarter loan-to-deposit ratios for the bank and some of its local competitors:

QUARTERLY AVERAGE LOAN TO DEPOSIT RATIOS		
Institution	Asset Size (000)	Eight-Quarter Average Loan to Deposit Ratio
M&I Bank of Mayville	\$120,325	80.85%
Horicon State Bank	\$150,324	89.85%
National Bank of Waupun	\$62,350	78.34%
American National Bank Beaver Dam	\$93,390	62.10%

QUARTERLY AVERAGE LOAN TO DEPOSIT RATIOS		
Institution	Asset Size (000)	Eight-Quarter Average Loan to Deposit Ratio
Mayville Savings Bank	\$24,731	105.04%
Firststar Bank Wisconsin	\$4,221,063	86.87%

The composition of the bank's loan portfolio as compared to peer, according to the September 30, 1997 Uniform Bank Performance Report (UBPR) is illustrated in the following chart:

LOAN TYPE	BANK AVERAGE LOAN MIX (%)	PEER AVERAGE LOAN MIX (%)
REAL ESTATE LOANS		
Construction/Development		
1 - 4 Family Residential	1.52	1.80
Home Equity	49.20	28.00
Other Real Estate	1.87	0.28
Farmland	19.27	21.51
Multi-family	5.56	5.71
Commercial	0.86	0.54
TOTAL REAL ESTATE LOANS	12.85 69.99	12.89 55.13
LOANS TO INDIVIDUALS	8.54	15.18
CREDIT CARD LOANS	0.94	0.29
COMMERCIAL AND INDUSTRIAL LOANS	14.16	14.38
AGRICULTURAL LOANS	5.92	7.56
MUNICIPAL LOANS	1.12	0.38
OTHER LOANS*	0.27	0.19
*Excludes Financial Institution Loans, Acceptances of Other Banks, Foreign Office Loans and Leases, and Lease Financing Receivables		

The bank's level of lending (81.90%) ranks above the peer group average loan-to-deposit ratio of 68.03%, based upon the September 30, 1997 Uniform Bank Performance Report. A review

of the loan portfolio distribution revealed that the bank's level of 1-4 family real estate and overall real estate lending significantly exceeded peer level. Although consumer lending for the bank was slightly below peer level, consumer lending was not identified as a credit need by community representatives contacted during the examination.

Lending in Assessment Area

The bank's real estate, small business and farm originations for 1996 and the first six months of 1997 were reviewed to determine the bank's level of lending within the assessment area. The following table details 1996 real estate purchase, refinance, small business and small farm lending within the assessment area:

1996 M&I BANK OF MAYVILLE LENDING IN THE ASSESSMENT AREA		
Loan Type	# In Assessment Area	Percent
Real Estate Purchase*	9	81.81%
Real Estate Refinance*	10	90.91%
Small Business	366	86.94%
Farm	222	92.50%
TOTALS	607	89.26%

*Totals do not include M&I Mortgage Corp. loan originations

Approximately 86% of 1996 real estate lending (19 of 22 purchase and refinance loans), 87% of small business lending (366 of 421 small business loans) and 93% of farm lending (222 of 240 farm loans) was within the assessment area; 89% of 1996 total lending (607 of 680 total loans) was within the assessment area:

1997 M&I BANK OF MAYVILLE LENDING IN THE ASSESSMENT AREA		
Loan Type	# In Assessment Area	Percent
Real Estate Purchase*	9	69.23%
Real Estate Refinance*	2	66.67%
Small Business	176	83.12%
Farm	129	93.48%
TOTALS	316	%

*Totals do not include M&I Mortgage Corp. loan originations

A review of 1997 lending revealed 68.75% of real estate (11 of 16 purchase and refinance loans), 83% of small business lending (176 of 211 small business loans) and 94% of farm lending (129 of 138 farm loans) and 86% of 1997 total lending (316 of 365 total loans) was within the assessment area.

Geographic Distribution

The bank's 1996 and 1997 mortgage, small business and farm lending originations were analyzed to assess loan originations within the assessment area. The bank's assessment area contains seven middle-income BNA's in Dodge and Fond du Lac Counties; there are no low- or moderate-income geographies within the assessment area.

The following tables details the bank's 1996 and 1997 mortgage, small business and small farm lending distribution by geography:

1996 AND 1997 GEOGRAPHIC DISTRIBUTION OF M&I BANK OF MAYVILLE LENDING				
Block Numbering Area	Mortgage Loans		Small Business and Small Farm Loans	
	1996 - Number of Loans*	1997 - Number of Loans*	1996 - Number of Loans*	1997 - Number of Loans
9601	9	3	160	101
9602	2	2	29	12
9612	0	1	73	53
9613	4	2	245	102
9614	2	2	51	23
419	1	0	18	5
422	1	1	12	9

*Totals do not include loans originated by M&I Mortgage Corp.

A review of the bank's loan distribution analysis reports revealed that the bank originated loans in each of the geographies comprising the assessment area. The majority of the bank's

loans were extended in BNA's 9601 (27%) and 9613 (42%) which correspond to the Lomira branch and Mayville main office locations.

Borrower Characteristics

The bank's 1996 and 1997 small business, small farm and mortgage loan activity were reviewed to assess lending to businesses and farms of different sizes and borrowers of different income levels. The distribution of the bank's 1996 and 1997 small business and farm loans by loan amount is highlighted in the following charts:

1996 SMALL BUSINESS AND SMALL FARM LOAN ORIGINATIONS BY LOAN AMOUNT						
	\$100,000 or Less		\$100,000 to \$250,000		Greater than \$250,000	
Loan Type	#	\$ (000)	#	\$ (000)	#	\$ (000)
Small Business	327	7,643	26	4,381	13	5,922
Farm	205	3,931	17	2,240	0	0
TOTALS	627	11,574	43	6,621	13	5,922

1997 SMALL BUSINESS AND SMALL FARM LOAN ORIGINATIONS BY LOAN AMOUNT						
	\$100,000 or Less		\$100,000+ to \$250,000		Greater than \$250,000	
Loan Type	#	\$ (000)	#	\$ (000)	#	\$ (000)
Small Business	153	3,377	20	3,370	3	973
Farm	121	2,331	8	1,308	0	0
TOTALS	274	5,708	28	4,678	3	973

Approximately 91% of the bank's 1996 and 90% of its 1997 small business/small farm lending in the assessment area was for amounts of \$100,000 or less. A further review of small business/small farm originations revealed strong loan penetration to businesses and farms with gross annual revenues of one million dollars or less; 99% of 1996 small business and farm originations (580 of 588 loans in 1996) and 96% of 1997 originations (294 of 305 loans) were to businesses or farms with gross annual revenues of one million dollars or less.

A review of the bank's 1996 mortgage originations revealed that the bank's originations were to middle- and upper-income borrowers. A review of the bank's 1997 mortgage originations revealed that 2 of 9 home purchase originations were to moderate-income borrowers; all refinancings were to middle- or upper-income borrowers. Discussions with bank management indicated that the bank has not experienced much demand for special loan programs such as the M&I Neighborhood Loan Program, however, the bank has extended two State of Wisconsin Veterans Administration home loans and one WHEDA Home loan since January, 1996.

Community Development Lending

Bank lending reflects a willingness to participate in community development lending targeted to businesses and organizations that serve or employ low- and moderate-income individuals within the assessment area. A review of local economic conditions and information provided by community representatives, indicate that the assessment area offers few community development lending opportunities other than small business and farm loans. The bank originated a \$81,000 loan to finance the expansion and retention of a local health clinic, and a \$6,000,000 participation loan with M&I Marshall & Ilsley Bank in Milwaukee, to finance an employee buy out of a local manufacturer (the bank participated up to its legal lending limit; as of the examination, \$2,892,630 is outstanding). Both loans enabled the community to retain a significant number of jobs and to expand job opportunities; a significant number of these positions were filled by moderate-income individuals.

CONCLUSION

The bank's loan volume and eight-quarter loan-to-deposit ratio evidences a strong lending performance. The bank's community development lending is consistent with its size and the nature of its assessment area. A substantial majority of the bank's new 1996 and 1997 lending was within the assessment area. Although the assessment area does not contain any low- or moderate- income geographies, the bank made loans in each of the geographies comprising the assessment area. A substantial majority of the bank's lending was for amounts of \$100,000 or less, and to businesses and farms with gross annual revenues of one million dollars or less.

INVESTMENT TEST

The bank's investment portfolio and donations contributing to community development in the assessment area were reviewed. The investment portfolio was also reviewed for innovativeness and responsiveness to community development needs within the assessment area. Interviews with community representative contacted during the examination, indicated that bank's assessment area is one that offers limited opportunities for qualified community development investments and grants.

Qualified Investment Activity

Review of the bank's investment portfolio revealed that the bank has purchased several local general obligation bonds and tax anticipation warrants since the previous examination; however, these local obligations are not qualified investments. A review of 1996 and 1997 donations revealed that the bank made approximately \$2,875 in qualifying donations.

CONCLUSION

The bank's performance with respect to the investment test is considered low satisfactory. Although the level of qualifying investment and grant activity was low, it was considered reasonable, based upon the opportunities available to the bank within the assessment area.

SERVICE TEST

The institution's system for delivering retail banking and community development services was reviewed. The services provided by the bank were reviewed for accessibility, innovation, and responsiveness to the needs of the community were reviewed, including the different methods for delivering these services. Discussions with bank management and community representative revealed that the opportunity for the bank to be involved in qualified community development services is low, due to the demographic make-up of the bank's assessment area.

Retail Banking Services

M&I Bank of Mayville is a full-service bank with one branches and two ATMs. Customers also have access to the M&I network of ATM's throughout the state of Wisconsin. The bank provides a large array of deposit and lending services to consumers, organizations, businesses, and government entities. Both branches provide deposit services and accept applications for

lending activities. The following chart illustrates the bank's branches and drive-up facilities and the hours of operation:

M&I BANK OF MAYVILLE BRANCH LOCATIONS AND HOURS OF SERVICE		
Branch Location	Hours of Service	Days of Service
Mayville- Lobby Drive-up	8:30 am - 3:00 pm	Monday-Thursday
	8:30 am - 8:00 pm	Friday
	8:30 am - 5:00 pm	Monday-Thursday
	8:30 am - 8:00 pm	Friday
	8:30 am - 11:30 am	Saturday
Lomira- Lobby Drive-up	8:30 am - 5:00 pm	Monday-Thursday
	8:30 am - 6:00 pm	Friday
	8:00 am - 5:00 pm	Monday-Thursday
	8:00 am - 6:00 pm	Friday
	8:30 am - 11:30 am	Saturday

Alternative Systems for Delivering Retail Banking Services

In an effort to make banking services accessible to all individuals in the assessment area the bank has several options for accessing its services. In addition to the banks two offices and two ATMs, along with the M&I ATM network, banking services can be accessed through several electronic methods. Individuals can open accounts, apply for a loan, pay bills, make balance transfers, among other activities through the bank's Internet Banking Program, the phone-in banking option, and the bank by mail program.

Community Development Services

The bank provides community development services and support for various organizations throughout its assessment area. The services and support are provided through officer and employee involvement in these organizations. The bank's staff and directors provide their expertise to community development organizations in the assessment area, such as the Mayville Chamber of Commerce, Mayville Community Development Organization, Mayville Economic Development Authority, Lomira Chamber of Commerce and Lomira Educational Enrichment Foundation; organizations which primarily focus on the development, attraction, and retention of businesses in the area. Discussion with management indicated that bank employees are encouraged to participate in local community organizations and understand the importance of the community groups in the assessment

area.

CONCLUSION

The bank's performance under the service test is considered sound. The variety of services available through the bank and its affiliates, along with the bank's system of delivering these services, support the bank's overall rating under the service test. The bank's products as previously discussed are responsive to the needs of the community. Although the bank provides a relatively low level of community development services in the assessment area, discussions with bank management and community representatives indicate that there are few community development service opportunities available in the assessment area.

OVERALL CONCLUSION

The bank's loan-to-deposit ratio, geographic loan distribution and lending to businesses/farms of different sizes support an overall satisfactory rating. Based upon the examination review of assessment area economic and demographic characteristics, and the comments of community representatives; the bank provides services and investments in a manner consistent with its size and the opportunities available within its assessment area.

GENERAL

The bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations, including the Equal Credit Opportunity (ECOA) and Fair Housing Acts. A significant portion of loan underwriting has been centralized. A review of bank underwriting conducted concurrent with this examination, supplemented an earlier review of centralized loan underwriting functions. The credit applications reviewed during this examination represented a sample of applications for which the credit decision was made by bank lending personnel. Management has developed and implemented policies and procedures supporting nondiscrimination in lending. Bank lending standards are in compliance with the regulations and applied in a consistent manner.