

PUBLIC DISCLOSURE

FOR

M & I Thunderbird Bank

Discussion Of Institution's Performance

INSTITUTION'S RATING:

This institution's overall CRA (Community Reinvestment Act) performance is rated Outstanding based upon a review of its policies, procedures, and provision of credit to its community. Evidence was found during the examination that management has actively promoted the economic revitalization and growth in its community by effectively identifying and meeting credit needs within its entire community, including its low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

I. Ascertainment Of Community Credit Needs

Under this category, the bank is evaluated on the effectiveness and suitability of its means of gathering information to identify the credit needs of its community. The criteria for this evaluation are set forth in the assessment factors below with the respective supporting comments and conclusions.

Assessment Factor A - Activities conducted by the bank to ascertain the credit needs of its community, including the extent of its efforts to communicate with members of its community regarding the credit services being provided by the bank.

M & I Thunderbird Bank ascertains credit needs and lending opportunities in its delineated community primarily through its officer call program, participation by directors, officers and employees in a variety of civic, religious, neighborhood, minority and business organizations and regular surveys of its credit applicants. Through regular, meaningful communication with members of the community, the bank has effectively determined credit needs and lending opportunities in most segments of its community, including low- and moderate-income neighborhoods.

Bank management has established an extensive officer call program as part of the bank's business practices. These calls target businesses and realtors throughout the bank's community, including low- to moderate-income areas, minority- and women-owned businesses, non-profit organizations and local government units. Bank management has specifically identified fifteen non-profit agencies, seven city governments and two consumer counseling agencies with which it has built a relationship through on-going communication and participation in programs and activities.

Through these calls, management has determined a need for affordable housing loans, particularly for home improvement, and a need for increased participation by financial institutions in the loan programs offered by the local municipalities and non-profit organizations. In response, the bank has participated with several municipalities and non-profit organizations in housing rehabilitation programs and offered two home buyers seminars within its community. In 1995, the bank implemented its "Alternative Portfolio Loan Programs" and it continues to participate in the Community Home Buyers Program, both of which are discussed in more detail under Factor B.

Through the assistance of its holding company, Marshall and Illsely, the bank has collected demographic data about its community which it regularly used in conjunction with information about its lending and deposit extensions to analyze how well it is meeting the credit needs of the community and to identify new marketing opportunities. For example, on a tract-by-tract basis, the bank used maps and reports showing the age of the housing stock to identify housing rehabilitation lending opportunities. Information gathered from the bank's self-analyses and calling efforts also influenced management's decision to provide commercial lenders in the Glendale, Tempe and Chandler offices as well as the bank's headquarters in Phoenix.

The bank has established a very effective method of communicating with members of the local community to effectively identify credit needs and economic development opportunities and has demonstrated a willingness to offer more flexible underwriting criteria and participate in special lending programs to help meet those needs.

Assessment Factor C - The extent of participation by the bank's board of directors in formulating policies and reviewing the bank's performance with respect to the purposes of the Community Reinvestment Act.

The board of directors annually approved a written Community Reinvestment Act Program Management Plan to ensure that low- and moderate-income and minority individuals, businesses and neighborhoods are included in the bank's ascertainment, marketing, lending and community development business activities. The plans included both specific and general goals as well as strategies to achieve the goals. For example, in the 1996 plan, the directors stated that the bank will continue to participate in governmental insured, guaranteed or subsidized loan programs for housing, small business and educational needs. Specifically, the directors expected the bank to extend at least four loans under the SBA 504 program and six loans under the SBA 7A program. At the end

of the third quarter, the bank had already doubled its 1996 7A goals and had funded two of the four 504 loans. Although the bank had not reached both goals, at that time the bank also had over ten 504 loan applications in various stages of the application process.

The bank's CRA program has been implemented through a CRA committee, which includes two directors and senior management representing various lending, marketing and deposit functions within the bank. The responsibilities of all the directors and committee members relating to the CRA are clearly outlined by the plan. The annual plans require quarterly reporting to senior management and the board of directors about the bank's progress toward achieving the outlined goals under each of the five performance categories.

In particular, the bank had developed the tools to effectively measure its record of lending within its community. Each quarter management reviews the distribution and approval rates of its consumer, commercial and residential real estate loan applications by geographic location to monitor the bank's record of lending in low- and moderate-income areas. Residential real estate applications are also monitored by approval rates for different borrower characteristics, including ethnicity and income levels of the borrower. At least annually, management reviewed maps and reports depicting the geographic distribution of its aggregate lending and deposit products in conjunction with demographic information obtained from its holding company to measure its success in reaching all areas of its community. Using various maps showing demographic characteristics, such as population levels, income-levels and ethnicity in comparison to the bank's market share in each census tract, bank management targeted areas for its various marketing campaigns and other outreach efforts.

Additionally, the directors have ensured that the bank's CRA Statement was expanded to include information about its CRA program, including its ascertainment and marketing efforts as well as its record of helping to meet community credit needs. The statements were reviewed and approved annually. The directors have implemented an on-going CRA-related training program for all bank employees and ensured that the technical regulatory requirements had been met.

The directors have demonstrated a high level of involvement in formulating policies and reviewing performance under the CRA to ensure that the bank's CRA program continues to function effectively and achieves the goals the board has established for the bank.

II. Marketing And Types Of Credit Offered And Extended

Under this category, the bank is evaluated on its marketing efforts to promote the types of credit it is prepared to offer to its community, product implementation, and overall delivery of those credit services stated in the bank's CRA Statement.

Assessment Factor B - The extent of the institution's marketing and special

credit-related programs to make members of the community aware of the credit services it offers.

Annually, the bank's directors and senior management approved and implemented a formal marketing plan for the bank. The main focus of the bank's marketing strategy is to target underserved markets as well as to offer a viable alternative to the large commercial competitor banks which dominate the Phoenix metropolitan area in terms of market share measured by deposits. In addition to the bank's marketing emphasis on small- and medium-sized businesses, the bank's 1996 Marketing Plan identified two under served markets to target for increased outreach and outlined strategies for reaching those markets. These included minority neighborhoods and consumers who currently have little or no interaction with any banks. The bank's marketing program used a mixture of traditional advertising and non-traditional marketing to inform the community about its credit products and banking services.

Print Advertisements

The bank utilized several publications with circulations that cover the entire Phoenix metropolitan area, such as the Arizona Business Gazette, Arizona Republic and the Business Journal. In addition, the bank uses several local community newspapers to target specific smaller cities within the larger metropolitan area, including the East Valley Business Times, Glendale Star, Scottsdale Airpark News and the Tribune News.

To target business owners, particularly women, about the bank's business products and services, the bank also placed quarterly advertisements in the monthly magazine Today's Arizona Woman.

The bank's delineated community contains ethnically diverse neighborhoods; therefore the bank utilized publications which reflect the racial and ethnic composition of the targeted communities. To target the Hispanic community, which represents approximately 16% of the population within the bank's community, management placed advertisements in El Sol, a Spanish language weekly publication with a circulation of approximately 25,000 people, and in Cambio! a Spanish/English monthly paper. Additionally, the bank utilized the Hispanic Chamber Newsletter, Comercio, to notify Hispanic business owners about the business-related credit products and banking services offered by the bank. To increase its exposure, the bank also utilized the Hispanic Directory and provided lobby brochures in the Spanish language. The bank currently has nine bilingual employees who speak Spanish, five of whom work with credit applicants.

The bank also employed the weekly publication, the Arizona Informant, with a circulation of 9,000 people to target the African American population living within the bank's community. According to the 1990 census, African American represent almost four percent of the population within the bank's community. The bank's credit-related advertising programs did not specifically target Asian or Native American individuals within its community; each group represents less than two percent of the population. The bank did sponsor a publication called "I Have A Dream" featuring photos of Navajo Code Talkers,

which was distributed during the exhibition of Photographs shown at Kayenta, Navajo Nation.

Radio

Due to the increased cost, management selectively used the radio to enhance the effectiveness of its printed advertisements. At the time of the examination, for example, the bank was running a deposit product promotion. The bank utilized a mixture of Phoenix based News/Talk Radio, "Oldies" and "Country" music stations to reach a broader audience.

Lobby Brochures

In the branches, the bank maintains a supply of brochures which are also brought to street fairs and workshops to inform the community about the bank's credit and deposit products and services.

Officer Calling Program

The bank has instituted an officer calling program whereby loan officers are required to make regular calls on local businesses, community groups, municipalities and nonprofit organizations to help inform the community about the bank's products and services. In the first seven months of 1996, for example, management tracked 1,212 sales calls.

All employees are expected to make customer referrals, even those employees who do not work directly with the bank's customers. Employees are given incentives for the referrals they make. To augment these calls and referrals, branch employees are taught techniques for cross-selling banking and credit products to ensure that customers are aware of the various products and services available to them. In June 1996, bank management hired an outside company to interview the bank's loan applicants to determine how well the bank assisted them in meeting their credit needs. One of the questions in the survey questions was, "If you did not qualify for the product that you were initially requesting, was there an alternative product offered?" The substantial majority of applicants, both approved and declined, responded affirmatively.

Another form of outreach and cross selling included special presentations to the employees of the bank's business customers to inform them about the consumer credit and deposit products and services available. In December 1995, bank employees spoke to approximately 75 employees of a large manufacturing firm about financial planning for the holidays. In addition to discussing products and services, bank employees explained ways to avoid becoming over-extended and how a bank looks at applicants' debt ratios in the loan application process.

Home Buyers Seminars, Fairs, Shows

Since the previous examination, the bank has offered two home buyers seminars in

conjunction with the Phoenix Community Housing Resource Board. The free seminars were offered in the cities of Glendale and Chandler, both of which contain low- or moderate-income neighborhoods. In these free seminars, participants are informed about the costs of home ownership, how to shop for a mortgage, how to budget for home ownership and more. The seminars were advertised in English and Spanish and either a bi-lingual loan officer or a translator was available for the seminars. Participants were asked if they wanted additional information about any of the bank's products and services. If they indicated an interest, the bank sent them brochures and applications for those products and invited them to open a First-Home Savers Account to help them build up a cash reserve to use for a down payment.

The bank also participates in local community events to inform the community about its products and services. For example, the bank maintained an exhibit at the Phoenix Home and Garden Show, the Sunnyslope Home Fair and the Maricopa County Home and Garden Show. At each, loan officers provided information and applications for the bank's credit and deposit products, particularly stressing its housing-related products. In particular, the bank promoted its 100% Home Equity Account. In response to community demand and rising housing values, the bank modified its underwriting terms to offer equity loans up to the appraised value of the dwelling.

To advertise the bank's revised home equity loan product, the bank also targeted the neighborhoods around several of its branches for a door-to-door flyer distribution. These branches included the Scottsdale, Via Linda, Tempe, Chandler and Glendale branches. The zip codes chosen for the distribution included low- and moderate-income neighborhoods in the vicinity of the Tempe, Chandler and Glendale branches.

Overall, the bank continued to use both traditional and non-traditional means to inform all segments of its community about the products and services available, including the low- and moderate-income as well as ethnically diverse neighborhoods.

Assessment Factor I - The bank's origination of residential mortgage loans, housing rehabilitation loans, home improvement, and small business and small farm loans within its community, or the purchase of such loans originated in its community.

M & I Thunderbird Bank's primary lending focus continues to be small and medium-sized businesses. According to the bank's Consolidated Report of Condition (Call Report) dated September 30, 1996, over 65% of the bank's loan portfolio consisted of commercial and industrial loans and loans secured by non-farm, non-residential properties. To achieve this, the bank offers accounts receivable, inventory, machinery and equipment financing as well as SBA-Guaranteed loans. The bank also provides a range of retail credit products, such as home purchase and refinance mortgage loans, home improvement loans, auto loans and student loans. On a very limited basis, the bank also provides credit for agricultural purposes. The bank's CRA statement clearly defines the types of credit the bank offers and extends within its delineated community.

Small Business Lending

Using loan size as a proxy to determine the sizes of businesses borrowing from the bank, the composition of the bank's loan portfolio indicates that the bank's customers are primarily small and medium-sized businesses. As reported in the bank's June 30, 1996 Call Report, a significant majority of the bank's business-purpose loans are extended in amounts less than \$250,000. In terms of total dollars in the bank's loan portfolio, these smaller dollar amount loans represented only 18%; in terms of the actual number of loans extended however, loans under \$250,000 represented at least 69% of the bank's total business-purpose loans. By original loan amount, the composition of the bank's commercial loan portfolio is presented in the following chart:

June 30, 1996 Call Report

Original Loan Amount	Number of Loans	Total Dollar Amount (000)	% of Total Dollars
\$100,000 or less	753	\$20,470	9%
\$100,000 to \$250,000	225	\$21,488	9%
\$250,000 to \$1,000,000	322	\$80,261	35%
Over \$1,000,000	Not Available	\$109,584	47%
Total Loans	Not Available	\$231,803	100%

Small Farm Loans

The bank does not actively pursue agricultural lending although it does extend agricultural-related credit to qualified applicants. Since the previous examination, the bank has extended five such loans, totalling \$1.8 million.

Residential Mortgage Loans

According to the bank's 1995 Home Mortgage Disclosure Act (HMDA) data, the bank extended 57 residential mortgage loans totalling almost \$3 million within its delineated community. Twenty-six (46%) of these loans were extended to low- or moderate-income borrowers. Using the bank's preliminary HMDA data for the first nine months of 1996, the bank has extended 223 residential mortgage loans, 28 (13%) of them to low- or moderate-income borrowers.

A portion of these loans represent the bank's mobile home lending activities. Since the previous examination, the bank has extended 11 loans to purchase or refinance used or

new mobile homes, totalling almost \$150,000. The loans ranged between \$3,000 and \$31,000 and the average amount was less than \$14,000.

Residential Rehabilitation Loans

According to the bank's 1995 HMDA data, the bank extended 52 home improvement loans totalling almost \$1.3 million within its delineated community. Seven (13%) of these loans were extended to low- or moderate-income borrowers. Using the bank's preliminary data for the first nine months of 1996, the bank extended 135 home improvement loans, 20 (15%) of them to low- or moderate-income borrowers.

For several years, the bank has participated in the Federal National Mortgage Association (FNMA) Community Home Buyers Program, which allows a 95% loan with a five-year balloon and private mortgage insurance. This program allows applicants to borrow up to 95% of the purchase price. The remaining five percent may be split between the borrower's personal funds and a gift from another source, such as the applicant's family or a non-profit agency. Also, under this program, lenders can approve borrowers whose debt-to-income ratios exceed 40% as long as compensating factors are present to indicate the borrower is likely to make his proposed monthly payments. Under this program, the FNMA allows more flexibility in other areas as well, such as how the stability of income from part-time employment is considered, how contingent liabilities are treated and how acceptable sources of cash-reserves are determined. Bank management does not track these loans separately from its other residential mortgage products. In some instances, the bank will also maintain a loan in its own portfolio, if it does not qualify under "traditional" underwriting criteria.

To further strengthen its ability to help provide affordable housing financing, in April 1995, the bank added two new products in an "Alternative Portfolio Loan Program" for borrowers who do not qualify under the underwriting guidelines set by the secondary market, yet represent a viable lending opportunity for the bank. The programs were designed to serve the needs of low- or moderate-income borrowers by providing an alternative to the standard 30-year mortgages. By maintaining the loan in the bank's portfolio, the bank can offer flexible underwriting criteria designed to serve the needs of low- to moderate-income borrowers. The first product uses a five-year balloon payment, with 95% financing. Only two percent of the five percent down payment must come from the borrower's own funds; the remaining three percent may be in the form of gifts from relatives, grants or unsecured loans from non-profit organizations or public agencies. The second product provides 97% financing if the remaining three percent comes from the borrower's own funds. Under these flexible programs, for example, the bank allows higher debt-to-income ratios and considers alternative credit history sources, such as rental verification or utility bills. These programs are used in conjunction with municipal-grant residential rehabilitation and affordable housing programs discussed under Factor J.

Overall, the bank's internal analysis of its lending patterns found that the substantial majority (88% by number and 76% by dollar amount) of its loans within its lending

portfolio had been extended within the bank's delineated community. The bank has undertaken significant efforts to address a substantial portion of the identified community credit needs through the origination of small business loans, residential mortgages and home improvement loans.

Assessment Factor J - The bank's participation in governmentally-insured, guaranteed, or subsidized loan programs for housing, small businesses, or small farms.

M & I Thunderbird Bank frequently participates in governmental credit programs to enhance its ability to meet the credit needs of its community.

Small Businesses

The bank continues to lend to small businesses through the Small Business Administration (SBA) 504 and 7A programs. Between September 30, 1995 and September 30, 1996, the bank extended 15 SBA loans, totalling almost \$7 million dollars. Four of these 15 loans were extended under the SBA's Low Doc program. In relation to its competitors within the Phoenix District, the SBA ranked M & I Thunderbird Bank sixteenth in loan volume and tenth in dollar volume. Of the 15 lenders ranked higher than the bank in loan volume, the majority have qualified as a "Preferred Lender" which gives them a timing advantage over the bank. However, the bank continues to be qualified as a "Certified Lender" for the SBA and the bank has two loan officers who are actively involved in the two local SBA Certified Development Corporations.

Student Loans

The bank continues to offer student loans. As of the examination, bank management reported that the outstanding dollar amount for this product was more than \$8 million dollars. Eighteen million dollars in guaranteed student loans had been extended since the previous examination.

Residential Mortgage Loans

Bank management has decided not to participate in FHA, FmHA or VA loan programs. Management's decision was based on its resources and the amount of competition from other lenders offering these government-guaranteed programs within the Phoenix area. As previously discussed in Factor I, the bank does participate in the Federal National Mortgage Association (FNMA) Community Home Buyer's Program and offers several affordable housing products under its Alternative Portfolio Loan Programs.

Residential Rehabilitation Loans

In addition to the bank's conventional home improvement loans, the bank also participates with several smaller municipalities within Maricopa County to help provide residential rehabilitation loans for low- and moderate-income individuals living in those cities. Utilizing the loan products from its Alternative Portfolio Loan Program, the bank extended four housing rehabilitation loans under a program with the City of El Mirage totalling more than \$92,000 since the previous examination. The primary emphasis of the city's program is improving its existing housing stock and providing down-payment assistance to renters interested in purchasing their homes in conjunction with the FNMA Community Homebuyers Program. Similar to the City of El Mirage's housing rehabilitation program, the bank also has extended at least two loans under the City of Tolleson's housing rehabilitation program, totalling \$32,000 and one loan with the City of Peoria, totalling \$49,500. By participating in these programs, the bank is supporting municipal efforts to address affordable housing needs.

The bank's participation with the SBA, the guaranteed student loan program and the smaller municipalities in Maricopa County indicates that the bank has frequently used government programs to help meet the credit needs within its delineated community.

III. Geographic Distribution And Record Of Opening And Closing Offices

Under this category, the bank is evaluated on the reasonableness of its community delineation, the geographic distribution of its loans, and the effects of opening or closing any offices.

Reasonableness of Community Delineation

M & I Thunderbird Bank has defined its community as a twenty-mile radius around its main office. All of the bank's branches fall within this delineation and it does not arbitrarily exclude any low- or moderate-income neighborhoods. Of the 441 census tracts that comprise the bank's community, 29% are classified as low- or moderate-income. The bank management considered its lending patterns, size and resources in determining the size of its delineated community and the examiner considered the delineation to be reasonable.

Assessment Factor E - The geographic distribution of the bank's credit extensions, credit applications, and credit denials.

M & I Thunderbird Bank has a documented analysis of the geographic distribution of credit applications, both approved and denied, that reflects a reasonable penetration into all segments of its community, including low- and moderate-income neighborhoods. Three sources were utilized to measure the bank's performance in lending throughout its

delineated community: the bank's internal geographic analyses, the bank's lending activity reported under the Home Mortgage Disclosure Act and the examiners' credit applications sample.

Internal Geographic Analysis:

With support from its holding company, the bank regularly reviews its record of serving the census tracts within its community delineation with both credit and deposit products. Using a loan-to-deposit ratio for each census tract, bank management monitors how successfully the bank reinvests its deposits through loan activity. Management compared census tracts with low- and moderate-income levels and minority concentrations to neighboring middle- and upper-income and non-minority census tracts to identify areas where the bank has accepted more deposits than its loan activity. In December 1995, bank management identified 29 census tracts in which management wanted to increase the bank's loan activity in relation to the level of deposits from those census tracts. Eight (28%) were low-income and fourteen (48%) were moderate-income census tracts.

Using the bank's internal geographic analysis reports for all loans within its loan portfolio as of June 28, 1996, examiners determined that the substantial majority of the bank's lending activity occurs within its delineated community. Overall, 88% of the loans in the bank's portfolio and 76% of the dollars were extended within its community. Examiners also compared the percentage of the bank's lending in low- and moderate-income (LMI) census tracts to the percentage of the community's population living in those census tracts. As depicted in the following chart, this analysis showed a relatively strong penetration into low-income census tracts and a reasonable percentage of loans extended in moderate-income census tracts.

Loan Portfolio as of June 28, 1996

Tract Income Level	Number of Loans Outstanding		Dollar Amount of Loans Outstanding (000)		Population (000)	
	#	%	#	%	#	%
Low-Income	703	6%	\$40,074	12%	98	4.9%
Moderate-Income	1,856	15%	\$59,437	18%	486	24.3%
Middle- & Upper-Income	10,096	80%	\$240,055	71%	1,417	70.8%

Additionally, examiners noted that the bank had extended loans in 96% of the 27 populated low-income census tracts and 94% of the 99 moderate-income census tracts within its delineation.

In addition to these reports, bank management tracked its 1995 commercial, mortgage and consumer credit applications, both approved and declined, by census tract level. This map showed that the bank had extended credit in most census tracts within its community delineation, with the highest concentration in census tracts near the bank's branches or in census tracts containing a substantial number of businesses. Tracts with fewer applications tended to be relatively far from the bank's branches and management was aware of the areas with no or limited lending activity. This information was used by bank management to target areas for increased marketing and outreach into the community.

The bank has also aggregated its credit extensions in Low and Moderate Income (LMI) census tracts on a quarterly basis. Albeit inconsistently, management has tracked the commercial loans extended in LMI census tracts since the previous examination. During second quarter, 1996, for example, out of the 167 new and renewed commercial loans extended, 97 (58%) were within LMI census tracts. Similar to 1995, this penetration compares very favorably to the number of LMI tracts within the bank's delineation. The bank's record is not as strong in consumer lending; however, consumer lending represents a small portion of the bank's overall lending activity. As summarized in the table below, approximately 14% of the bank's instalment loans during this 12-month period were extended within LMI census tracts.

Instalment Loans

Quarter/Year	Number of LMI Loans	LMI Approval Rate	Number of Total Loans	Approval Rate
4/1995	35	66%	171	73%
1/1996	22	52%	319	88%
2/1996	70	79%	354	86%
3/1996	47	54%	366	69%
Total	174	64%	1,210	79%

In conclusion, the bank's internal analyses of its loan portfolio and its record of lending since the previous examination documented that the bank has a strong record of lending to businesses within LMI neighborhoods. Although its consumer lending record is weaker, non-real estate secured, non-credit card consumer lending represents less than ten percent of the bank's loan portfolio.

HMDA Analysis:

Mortgage lending represents a small portion of the bank's overall loan portfolio. As of 9/30/96, residential real estate secured, non-revolving loans represented only 13% of the bank's loan portfolio. However, the bank has utilized its mortgage lending to augment its

ability to meet the credit needs of its entire delineation, including low- and moderate-income neighborhoods. The substantial majority of the bank's mortgage activity is occurring within its delineation, as evidenced by the fact that 92% of its housing-related credit applications originated from its community.

Relative to its total housing-related lending, the bank's performance in low- and moderate-income census tracts is slightly lower than an aggregation of the other commercial banks in the Phoenix area which reported HMDA data. Both the bank and the aggregate of all commercial lenders were significantly below the representative population, as represented in the following table:

1995 HMDA Data

Census Tracts	Bank		All Commercial Banks In Market		Tracts
Low- or Moderate-Income	11	10%	154	12%	29%
Middle-Income	38	35%	425	33%	38%
Upper-Income	60	55%	717	55%	33%
Total	109	100%	1,296	100%	100%

All of the bank's eleven loans shown in the above chart were extended in moderate-income census tracts, representing 24% of all census tracts; none of the loans were in low-income census tracts, which represent 6% of the census tracts within the delineation. One explanation for the bank's lower penetration may be the geographic distances between its branches and some areas of its community, which are significant in comparison to the more extensive branching networks of the four large commercial banks in the Phoenix market. In contrast, the bank's record of lending to low- or moderate-income individuals surpasses that of other commercial lenders in the market and almost mirrors the distribution of low- and moderate-income individuals in the population.

1995 HMDA Data

Borrowers	Bank		All Commercial Banks In Market		Population
Low- or Moderate-Income	30	27.5%	2833	23.8%	29%
Middle-Income	14	12.8%	2644	22.3%	39%
Upper-Income	65	59.6%	6392	53.9%	32%
Total	109	100%	11,869	100%	100%

The bank's relatively strong record of lending to low- and moderate-income borrowers demonstrates the bank's commitment to lend to low- and moderate-income borrowers, even though its penetration in low- and moderate-income census tracts does not compare favorably to the percentage of population living in those census tracts.

Examiners' Sample:

Examiners analyzed the geographic distribution of 126 (68%) of the approved loan files reviewed. Of this sample, four (3%) were located in low-income census tracts and fourteen (11%) were located in moderate income census tracts. All except two of the low- or moderate-income census tracts were located in the City of Phoenix; these were located in Glendale and Tempe. Although these percentages are slightly lower, they confirm the conclusions drawn by bank management in its internal loan portfolio analysis.

As evidenced by the bank's analysis of credit extensions, applications and denials, the geographic distribution of the institution's credit extensions demonstrates a reasonable penetration into all segments of its local community, including low- and moderate-income neighborhoods. This information is regularly distributed to the directors and CRA committee members to be used in the planning process for the various lending and marketing functions within the bank.

Assessment Factor G - The bank's record of opening and closing offices and providing services at offices.

M & I Thunderbird bank operates ten full-service branches and two limited-service offices called "facilities." In keeping with the bank's target market, management indicated that the majority of its offices are located in commercial areas. As an exception, the two facilities, Glencroft and Beatitudes, are located in retirement communities and primarily provide deposit services for residents of these communities. The facilities operate in tandem with full-service branches located within two miles of the facility, respectively the 57Th Avenue and Glenn Drive Office and the 19th Avenue and Dunlap Office. Loan applications and lending expertise are shared with individuals seeking credit at one of the facilities through this partnership with a full-service branch.

None of the bank's branches are located in low-income census tracts, which constitute only six percent of the populated census tracts within the delineated community. Two of the ten full-service branches and one facility (25%) are located in moderate-income census tracts, which comprise 23% of the census tracts within the bank's delineation. Additionally, the bank operates eight automated teller machines to increase accessibility. Seven are located next to full-service branches and one is located at the Chandler Regional Hospital.

Geographic distances between the bank's branches and some areas of its community are

relatively far compared to the larger competitor's branching networks within the Phoenix metropolitan area. To remain competitive and help compensate for its fewer branches, the bank offers its small business customers a courier service to pick up non-cash deposits.

The bank has not closed any branches since the previous examination and management currently has no plans to close any of the bank's existing offices. The bank has adopted a written branch closure policy which requires management to consider the impact of a potential branch closure on the community served by the branch.

Nine of the full-service branches are open 9 A.M. to 5 P.M., Monday through Thursday, extending to 6 P.M. on Friday. The office in Sun City has differing hours of 8:30 A.M. to 4 P.M. Monday through Thursday, extending to 5 P.M. on Friday to accommodate the banking preferences of the community. The two facilities have daily operating hours of 10 A.M. to 12 noon and 1 P.M. to 3 P.M..

The bank provides a wide range of deposit and credit services at its branch locations. To specifically target the banking needs of low- and moderate-income individuals and small businesses, the bank has developed special deposit products tailored to more closely fit their needs. The bank offers a lifeline checking account, the Personal Economy Checking Account, which has no minimum balance requirement. It may be opened with as little as \$25 and is free of monthly service charges if the debits (i.e. checks, ATM withdrawal and electronic funds transfers) from the account do not exceed ten per month. Since the previous examination, 354 such accounts were opened. Of the 1,027 accounts open, 39% are maintained by the three offices located in moderate-income census tracts.

Beginning in July 1995, the bank has offered a similar product, Business Economy Checking, to the small businesses within its community. No monthly fee is assessed if the minimum average balance of \$3,000 is maintained. During the period of review, 130 such accounts had been opened, generating almost \$500 thousand in deposits. During 1996, the bank also offered a Home Savers Account, with a higher interest rate than the normal savings account, to encourage prospective homebuyers to save for a downpayment. Due to the lack of interest in the account, the bank no longer offers the product.

Periodically, bank management utilizes an outside firm to survey its approved and denied loan customers to determine the level of service they encountered. Management uses the results of the survey to identify areas where the bank's services need to be improved. The most recent survey revealed that 98.5% of the approved applicants and 76.5% of the declined applicants surveyed would recommend the bank to a friend or a relative.

The bank's offices are reasonably accessible to all segments of the institution's local community and the bank's business hours and services generally meet the needs of the community. The bank's record of opening and closing branches has not had an adverse impact on the local community and its efforts adequately address the banking needs of the community, including low- and moderate-income neighborhoods.

IV. Discrimination And Other Illegal Credit Practices

Under this category, the bank is evaluated on its compliance with anti-discrimination and other related laws, including efforts to avoid doing business in particular areas or illegal pre-screening. The evaluation process includes the following assessment factors:

Assessment Factor D - Any practices intended to discourage applicants for types of credit set forth in the bank's CRA Statement.

The bank's board of directors and senior management has implemented written policies, established procedures and controls and regularly offers training to all lending staff to deter discrimination and affirmatively solicit credit applications from all segments of its local community, including low- and moderate-income areas.

In conjunction with its holding company, Marshall and Ilsley, the bank has adopted a policy statement on non-discrimination. At least annually, the bank's board of directors review the bank's underwriting standards and practices and approve revisions to the bank's loan policies. In addition, the bank has assigned responsibility to specific individuals to ensure that compliance monitoring, an independent review and oversight of the bank's lending activities occur.

Management regularly provides training to all lending officers and support staff that addresses all aspects of the lending process, including the Fair Housing Act, the Equal Credit Opportunity Act (ECOA) and the Home Mortgage Disclosure Act (HMDA). The training is refreshed periodically to ensure that lending staff are apprised of the most recent developments that affect the lending process. In addition to regulatory training, the bank provides training on cultural diversity for all managers and supervisors to help train, measure and maintain an effective, diverse staff. The bank's appraisers were also included in this diversity training.

The bank has also implemented a secondary review process for most types of declined and withdrawn consumer-related applications prior to notifying the consumer. Any concerns relating to the loan officers' reasoning for the denial or the completion of the adverse action letter are discussed with the loan officers. These discussions serve to strengthen the loan officers' awareness of the underwriting guidelines and consistency and fairness in their evaluation process.

This second review process is augmented by an annual matched pair testing review. In this review, management compared approved applicants from the category of applicants who were least likely to have experienced discrimination to categories of applicants defined by one of the prohibited bases. By comparing the approved and declined loan files, management measured whether the bank's lending standards were being fairly and consistently applied and whether any of the bank's lending practices were having an

adverse impact on any categories of applicants on a prohibited basis.

The bank conducts quarterly self-assessments of their HMDA originations, denials and withdrawals to minority applicants, low- and moderate-income applicants and applicants with dwellings located in low- and moderate-income neighborhoods to identify and correct any adverse trends in their approval rates in any of these areas.

Through regulatory training, policies and procedures, its second review of declined applications and matched pair testing, bank management has implemented the internal controls necessary to ensure that applicants are not discouraged on a prohibited basis. Examiners concluded that the bank generally solicits credit applications from all segments of its local community, including low- and moderate-income neighborhoods.

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

M & I Thunderbird Bank is in compliance with the substantive provisions of the Fair Housing Act (FHA) and the Equal Credit Opportunity Act (ECOA). Violations of the technical provisions of the Home Mortgage Disclosure Act (HMDA) were identified; however, the errors were not procedural in nature and did not significantly impair the validity of the bank's disclosed lending data. Therefore, the bank's level of performance under the CRA was not adversely affected.

V. Community Development

Under this category, the bank is evaluated on its participation in community development and/or other factors relating to meeting local credit needs.

Assessment Factor H - The bank's participation, including investments, in local community development and redevelopment projects or programs.

As described in Factor A, the bank is aware of local community development and redevelopment opportunities through its extensive contacts with non-profit and governmental units within its delineated community. These contacts have resulted in numerous opportunities for the bank to help serve the credit needs of its community. Several examples of the bank's involvement since the previous examination are listed below:

For several years the bank has been working with a non-profit housing development organization which had identified the need for housing rehabilitation loans within the City of Mesa to enable low- to middle-income families to obtain adequate housing. To help the non-profit agency achieve its goals, the bank increased its interim construction line of credit

to the agency to \$400,000. Since the previous examination, the bank has extended 21 loans to this agency on individual dwellings, totaling more than \$1 million.

Regular contact with a realtor in South Phoenix led the bank to participate in a neighborhood revitalization project with another local non-profit organization by constructing new, single-family dwellings for low- and moderate-income families. The neighborhood is one of Phoenix's oldest communities, only minutes from downtown and the airport. The project is a joint effort between the non-profit, the City of Phoenix and the Local Initiative Support Corporation of Phoenix (LISC). M & I Thunderbird Bank was chosen to provide the permanent funding for the project. In October 1996, the bank helped finance the purchase of three new homes using their Alternative Loan Program previously described in Factor B. The three loans totalled \$144,000 and more lending opportunities are anticipated from this partnership.

The bank invested with a minority-owned Federal Credit Union in the purchase of a \$50,000 Certificate of Deposit with a one-year maturity. The proceeds of the deposit were used to fund small business loans in the credit union's market area, primarily composed of low- to moderate-income and minority census tracts. In addition, one of the bank's loan officers assisted the credit union by helping to establish written guidelines for small business financing documentation needs.

In August 1995, the bank extended a \$66,000 loan to a local non-profit housing corporation to help the agency purchase a commercial office building from which it could operate. The purpose of this corporation is to assist low-income households to obtain affordable housing and to assist in the revitalization of low-income neighborhoods.

In March 1995, the bank extended a \$112,000 loan to a non-profit corporation to purchase a 12-unit apartment complex to be used for affordable housing needs. Five of the units were reserved for families with incomes less than 65% of Maricopa County's median income.

In addition to non-profit organizations, in June 1996, the bank extended a \$1.9 million loan to a small city on the west side of the Phoenix metropolitan area to help the city acquire additional land for city use. Although not all of their efforts have come to fruition, bank management has been actively involved with other lending projects with the smaller municipalities in the Phoenix metropolitan area.

Through its on-going efforts, the bank has maintained a high level of participation in development and redevelopment programs within its local community, sometimes in a leadership role.

Assessment Factor K - The bank's ability to meet various community credit needs based on its financial condition and size, and legal impediments, local economic conditions and other factors.

The bank's delineation falls entirely within the metropolitan area of Maricopa County, which contains more than half of Arizona's total population. Included in this greater metropolitan area are the cities of Phoenix, Tempe, Mesa, Scottsdale, Glendale, Chandler, Guadalupe, Peoria, Avondale, Tolleson, Youngtown, El Mirage, Litchfield Park and Sun City. In addition to housing the state capital, it is the state's major center of political and economic activity. In addition, Metropolitan Phoenix is emerging as a regional economic center serving domestic markets of the Southwest and Southern California as well as the international markets of the Pacific Basin and Mexico. The major industries in the area are manufacturing, agriculture, tourism and travel. Major employers include: Allied Signal Aerospace Company, American West Airlines, Arizona State University, Honeywell, Motorola, the Samaritan Health System as well as local and state governments located in the Phoenix area. The area's significant industrial growth is largely attributed to an improved transportation system and the expansion of Sky Harbor International Airport.

The local economy continues to perform above the national average. Housing starts in single family and multi-family remain higher than national averages. Job growth and commercial development have been positively impacted by the residential real estate building boom, business relocations from California and the passage of the North American Free Trade Agreement, which has resulted in increased trade with Mexico. The economy continues to diversify, particularly by attracting technology firms into the state.

Chartered in 1965 as a business-oriented bank, M & I Thunderbird Bank is a large community bank with assets of \$521 million as of September 30, 1996. It has ten full-service offices and two deposit taking facilities. Five of its branches are located in Phoenix and there is one branch in each of the following cities: Glendale, Sun City, Tempe, Chandler and Scottsdale. The two facilities are in Phoenix and Glendale.

The bank operates in a competitive market. There are more than 29 state and national banks as well as 41 credit unions in the greater Phoenix Metropolitan area. The market is dominated by four large commercial banks which bank management estimated had almost 90% of the community deposits. According to management's calculations, the bank maintains approximately one percent of the market share for both deposit and credit products.

As of September 30, 1996, the bank's loan-to-deposit ratio was over 80%. In addition, the bank has increased its lending capacity by selling loans to the secondary market, such as its 30-year mortgage products and guaranteed student loans, which releases deposits to be loaned again to other creditworthy applicants. Considering the bank's size, condition and resources and the market in which it operates, bank management has taken significant efforts to address the lending and economic development opportunities within its community.

Assessment Factor L - Other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which a bank is helping to meet the credit needs of its entire community.

The bank has demonstrated a willingness to explore other activities that would contribute to its efforts to help meet community credit needs and promote economic development.

Since the previous examination, the bank has offered two home buyers seminars in conjunction with the Phoenix Community Housing Resource Board. The free seminars were offered in Glendale and in Chandler, two low- or moderate-income segments in the bank's community. In these free seminars, participants are informed about the costs of home ownership, how to shop for a mortgage and how to budget for home ownership.

A bank officer served on the board of directors for an economic development corporation of a smaller city west of Phoenix. One of the purposes of the corporation is to promote new commercial developments and help refurbish existing commercial storefronts along Grand Avenue. To help this corporation achieve these goals, the bank also donated a computer for the corporation's use.

Another bank officer serves as a board member on the Southwestern Business Finance Corporation, which is a certified development corporation organized to provide SBA 504 financing within the Phoenix community. Additionally, this officer occasionally speaks at the Hispanic Chamber of Commerce Fastrack Small Business Education Program, to inform participants about how to approach a bank for a loan and the types of business products that are available to assist a small business owner. In September 1996, the officer assisted in the development of a small business seminar with the Hispanic Chamber of Commerce; approximately 40 people attended. He regularly provided articles for Comercio, a primarily Hispanic publication, about small business loans and business banking. In October 1995, the bank and the Hispanic Chamber of Commerce hosted an Accounting Fundamentals seminar to provide CPA and tax information free of charge to the Hispanic business community. Another bank officer serves on the Credit Committee of the Business Development Finance Corporation, providing financial expertise to the other certified development corporation serving the Phoenix region.

The bank also engaged in other non-credit related activities to promote economic development within the community. The bank president has served on the Board of Trustees for the non-profit organization, Neighborhood Housing Services of Phoenix, which provides affordable housing and neighborhood revitalization and served as a director for a non-profit consortium of business corporations, non-profit organizations and public entities dedicated to the revitalization of central Phoenix. Another bank officer chaired the 1996 Strategic Planning Committee for the same consortium.

As another example, the bank donated the printing costs for two local non-profit agencies which help provide affordable housing in the community. The bank served as a "Adopt a House" corporate sponsor in the 1996 Christmas In April program. This program provides volunteers and materials to make home repairs to low-income, elderly and disabled individuals. In addition, the bank regularly donated money, office equipment and other supplies to non-profit agencies within the community, some of which benefitted low-

or moderate-income individuals within the community.