

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 15, 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.

M&I Bank of Shawano generally promotes economic revitalization and growth, consistent with its size, financial capacity, location and assessment area economic conditions. The bank's lending performance is strong, based upon its loan-to-deposit ratio, a significant majority of loans within the assessment area and a reasonable distribution of loans among borrowers of different income levels, and businesses of different sizes. The bank utilizes innovative and flexible lending practices to benefit small farms and businesses in the assessment area. The bank's participation in qualified community development investments was minimal; however, a review of local economic conditions and discussions with community representatives indicate that there are few opportunities available for local financial institutions to participate. The bank provides an adequate level of services, available to all segments of the community.

The following table details the performance levels 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 M&I BANK OF SHAWANO-S ASSESSMENT AREA

The bank has defined its assessment area as Shawano and Menominee Counties in their entirety and a portion of Oconto County, for a total of 17 block numbering areas (BNAs). The 11 BNAs in Shawano County and the five BNAs in Oconto County are middle-income. The remaining BNA, which encompasses the entire county of Menominee and contains the Menominee Indian Reservation, is designated as a low-income BNA.

The assessment area's population is 57,475, with minorities comprising 9.8% of the total population, according to 1990 census data. Menominee County, with 3,890 residents, is designated as a minority county, as 3,463 (89.0%) of its residents are Native American.

The assessment area's median family income of \$28,219 is significantly less than the nonmetropolitan State of Wisconsin median family income of \$30,290. Of the 15,666 families in the assessment area, 21.9% are designated as low-income and 19.4% are designated as moderate-income families. Slightly more than half (10.5%) of the low-income families in the assessment area are living below the poverty level. Menominee County, specifically, contains 923 families, of which 51.0% are designated as low-income and 19.0% are designated as moderate-income families. Of those low-income families in Menominee County, 41.3% are living below the poverty level.

The assessment area contains 25,958 housing units, of which 62.4% are owner-occupied, 18.0% are rental and 19.6% are vacant. The assessment area median housing value is \$45,386, compared to the nonmetropolitan State of Wisconsin median housing value of \$50,092. One-to-four family residences represent 83.1% of the available housing units in the assessment area.

The State of Wisconsin unemployment rate for November 1997 is 3.4%, which exceeds the November, 1996, rate of 2.9%, according to statistics obtained from the Wisconsin Department of Labor. The unemployment rates for Menominee, Oconto, and Shawano Counties are 8.9%, 5.0%, and 3.8%, respectively, for November 1997. These unemployment rates, with the exception of Oconto County, are also higher in comparison to November, 1996, levels of 6.3%, 5.0% and 3.7%, respectively. The unemployment rate in Menominee County, while much higher than its surrounding counties and the state, is significantly lower than levels noted prior to the Menominee Tribe's establishment of the Menominee Nation Casino-Bingo-Hotel complex. The assessment area's largest employers are noted in the following chart:

Assessment Area Large Employers			
Employer	City	Number of Employees	Product/Service
Cruisers	Oconto	400	Fiberglass boats
Gerry Wood Products	Suring	335	Wooden juvenile furniture
Shawano Medical Center	Shawano	250	Hospital
21st Century Genetics	Shawano	248	Cattle breeding
Aarrowcast, Inc.	Shawano	240	Iron industrial castings
Little Rapids Corporation - Shawano Mill	Shawano	225	Paper processing
Menominee Tribal Enterprises	Neopit	200	Lumber processing

DESCRIPTION OF INSTITUTION

M&I Bank of Shawano, with total assets of \$170.2 million as of September 30, 1997, is an affiliate of Marshall & Ilsley Corporation, a multi-bank holding company based in Milwaukee. The bank's main office and 24-hour walk-up, automated teller machine (ATM) are located in downtown Shawano, a community approximately 30 miles west of Green Bay. Two limited-service, deposit-taking branches are also located in Shawano; the Shawano Airport branch offers a 24-hour drive-up ATM. The main office offers general deposit products and services, as well as installment, single payment, real estate, agricultural and commercial loan products. There are no apparent factors relating to the bank's prior performance, legal impediments, size and financial capacity, or local economic conditions that would prevent the bank from meeting the credit needs of its community. The bank, formerly known as Valley Bank of Shawano, N.A., was regulated by the Office of the Comptroller of the Currency, prior to its acquisition by Marshall & Ilsley Corporation in August, 1994. The most recent examination report dated February 18, 1994, indicated that the bank's rating was **A**satisfactory record of meeting community credit needs@.

The bank's primary competitors in Shawano include: First Northern Savings Bank, S.A. (a branch of Green Bay); Citizens Bank, N.A.; and Pioneer Credit Union. Additional competition in real estate lending is provided by Associated Mortgage. Other competition within the assessment area includes the following institutions: State Bank in Gresham; Bonduel State Bank in Bonduel; and Banner Banks in Birnamwood.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

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

Lending Volume

A review of the bank's September 30, 1997, Consolidated Report of Condition revealed a net loan-to-deposit ratio of 76.08%, and a net loan-to-asset ratio of 56.95%. The distribution, by loan type, is as follows:

LOAN TYPE	DOLLAR AMOUNT OUTSTANDING (000's)	PERCENT OF TOTAL LOANS
REAL ESTATE		
Construction	1,788	1.84
Farmland	2,237	2.31
Revolving	2,530	2.61
Residential (1-4)	37,049	38.21
Commercial	16,137	16.64
Multi-family	1,685	1.74
CONSUMER		
Open-end Credit	1,451	1.50
All Other	7,247	7.47
COMMERCIAL AND INDUSTRIAL	22,521	23.23
AGRICULTURAL	3,789	3.91
STATE AND POLITICAL OBLIGATIONS	476	0.49
OTHER	51	0.05

Residential real estate lending comprises 44.40% of the loan portfolio, followed by commercial/industrial lending and commercial real estate loans combined, comprising 39.87% of the loan portfolio, as illustrated in the previous table.

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	1.99	1.80
1 - 4 Family Residential	40.23	28.00
Home Equity	2.41	0.28
Other Real Estate	22.64	21.51
Farmland	2.95	5.71
Multi-family	1.56	0.54
Commercial	18.13	12.89
TOTAL REAL ESTATE LOANS	64.86	55.13
LOANS TO INDIVIDUALS	9.41	15.18
CREDIT CARD LOANS	1.57	0.29
COMMERCIAL AND INDUSTRIAL LOANS	21.91	14.38
AGRICULTURAL LOANS	3.13	7.56
MUNICIPAL LOANS	0.53	0.38
OTHER LOANS*	0.16	0.19
*Excludes Financial Institution Loans, Acceptances of Other Banks, Foreign Office Loans and Leases, and Lease Financing Receivables		

BANK NET LOAN/LEASE TO DEPOSIT RATIO	PEER NET LOAN/LEASE TO DEPOSIT RATIO
74.91%	68.03%

The bank's net loan-to-deposit ratio exceeds peer levels, as illustrated in the preceding chart. Both real estate and commercial/industrial loan levels are well above peer; this is a direct reflection of the bank's lending focus in meeting the credit needs of the community, according to management and community representatives.

The following chart illustrates the loan-to-deposit ratio comparison between the bank and its assessment area competitors, as noted in each bank's consolidated report of condition:

Loan-to-Deposit Ratios of M&I Bank of Shawano and Competitors								
		Loan to Deposit Ratios Quarterly Ending						
Bank Name and Location	Asset Size (in thousands)	9/97	6/97	3/97	12/96	9/96	6/96	Average
Citizens Bank, N.A.; Shawano	\$155,899	80.37%	78.54%	75.70%	75.79%	77.00%	77.38%	77.46%
State Bank; Gresham	\$16,157	54.84%	54.01%	52.49%	46.81%	52.83%	48.69%	51.61%
Bonduel State Bank; Bonduel	\$39,237	50.29%	58.00%	58.97%	56.57%	56.93%	58.52%	56.55%
Banner Banks; Biramwood	\$56,827	80.69%	78.96%	80.70%	76.43%	74.23%	70.64%	76.94%
M&I Bank of Shawano; Shawano	\$170,255	74.91%	69.03%	65.54%	66.11%	65.45%	64.28%	67.55%

The bank's loan-to-deposit ratio is generally consistent with the ratios of its assessment area competitors, as the preceding table indicates. Additional competition in real estate lending is provided by Associated Mortgage and First Northern Savings Bank, S.A.; Pioneer Credit Union provides additional competition in consumer lending.

Lending in the Assessment Area

The bank's internal analysis of consumer home purchase and refinancing loans was utilized to evaluate the bank's lending activity within the assessment area. Of the 144 home purchase loans originated between January 1995 and June 1997, 136 (94.44%) were made within the bank's assessment area. In comparison, of the 119 refinancings originated within the same time frame, 115 (96.64%) were made within the assessment area.

The bank's analysis of small business and small farm loans extended from January, 1996 through June, 1997 was also reviewed. In 1996, the bank originated 357 small business and 147 small farm loans, of which 290 (81.23%) and 132 (89.80%), respectively, were made within the assessment area. Year-to-date 1997 lending data indicates that of the 171 small business and 65 small farm originations, 143 (83.63%) and 56 (86.15%), respectively, were made within the assessment area.

Geographic Distribution

The geographic distribution of real estate, small business and small farm loans was also reviewed to assess the bank's lending within the assessment area. Menominee County (BNA 9701) is a low-income geography, according to 1990 census data. The difficulty in perfecting real estate mortgage liens on Native American reservations impacts the bank's level of lending.

Real estate home purchase and refinancing data for 1996 indicates that the bank originated three home purchase loans totaling \$280,000 in BNA 9701 and 69 loans totaling \$4,874,000 in 10 of the 16 middle-income geographies. Refinancings during the same period included six loans totaling \$412,000 in BNA 9701 and 54 loans totaling \$3,388,000 in 11 of 16 middle-income BNAs. For the first six months of 1997, the bank originated two home purchase loans totaling \$131,000 in BNA 9701 and 43 loans totaling \$3,420,000 in nine middle-income BNAs. No refinancings were originated in BNA 9701 for this same period, but 26 loans totaling \$1,776,000 were originated in 11 middle-income geographies.

In 1996, the bank originated three small business loans totaling \$62,000 in BNA 9701 and 287 small business loans totaling \$18,148,000 in 14 of the 16 middle-income geographies. Aggregate 1996 small business lending in BNA 9701 totaled 9 loans for \$331,000, in comparison. For the same period, the bank originated 132 loans totaling \$5,955,000 in 12 of 17 middle-income BNAs; no small farm loans were originated in the low-income BNA.

For the first six months of 1997, all 143 small business originations totaling \$9,130,000 were in 10 of 17 middle-income BNAs. Similarly, all 56 small farm originations totaling \$1,915,000 were made in 11 of 17 middle-income geographies. Aggregate 1996 small farm lending reports in BNA 9701 revealed no lending, in comparison.

Borrower Characteristics

The bank's analyses discussed above were also utilized to assess the bank's lending to borrowers of different incomes and to businesses of different sizes. The following charts summarize the review:

Borrower Characteristics Home Purchase and Refinancing Loans Within the Bank's Assessment Area								
Borrower Income Classification	1995		1996		1977 - First Six Months		Total	
	#	%	#	%	#	%	#	%
Low-income	1	2.27	12	8.76	2	2.86	15	5.98
Moderate-income	4	9.09	21	15.33	13	18.57	38	15.14
Middle-income	14	31.82	38	27.74	24	34.29	76	30.28
Upper-income	25	56.82	66	48.18	31	44.29	122	48.61

Borrower Characteristics Home Purchase and Refinancing Loans Within the Bank's Assessment Area								
Total	44	100.00	137	100.00	70	100.00	251	100.00

As reflected in the chart above, 5.98% and 15.14%, respectively, of home purchase and refinancing originations were made to low- and moderate-income individuals. Although these percentages are lower than the assessment area demographics of 21.9% low-income and 19.4% moderate-income, considering that 51.8% of these low- and moderate-income families are living below poverty level, the percentages are reasonable.

Distribution of Small Business and Small Farm Loans by Loan Amount												
	Loan Amounts (000's)											
	\$100,000 or less				\$100,000+ to \$250,000				Greater than \$250,000			
	1996		through June 1997		1996		through June 1997		1996		through June 1997	
Loan Type	#	\$	#	\$	#	\$	#	\$	#	\$	#	\$
Small Business	252	8,401	122	4,424	28	4,483	17	2,687	10	5,326	4	2,019
Small Farm	116	3,442	54	1,343	16	2,513	1	165	0	0	1	407
Total	368	11,843	176	5,767	44	6,996	18	2,852	10	5,326	5	2,426

As reflected above, 86.90% of the small business loans and 87.88% of the small farm loans originated within the assessment area in 1996 were in amounts of \$100,000 or less. Similarly, for the first six months of 1997, 85.31% of the small business loans and 98.18% of the small farm loans originated were for \$100,000 or less.

An analysis of the gross annual revenues of the businesses and farms referenced in the above table reveals that of the 422 small business/small farm originations in 1996, 388 (91.94%) were extended to businesses and farms with gross annual revenues of less than \$1 million. Preliminary 1997 data also indicates that of the 199 small business/small farm originations, 172 (86.43%) were extended to businesses and farms with gross annual revenues of less than \$1 million.

The bank offers loan programs with flexible lending features designed to address the credit needs of low- and moderate-income individuals, small business and small farm owners, and residents and businesses located in low-income geographies; this includes the complete line of lending products available at all M&I affiliates. Examples include the bank's participation in the Wisconsin Housing and Economic Development Authority (WHEDA), Small Business Administration (SBA) and Farm Service Agency (FSA), Veterans Administration (VA) and Federal Housing Administration (FHA) loan programs. The following table depicts the number and amounts of loans outstanding as of December 31, 1997:

PROGRAM	NUMBER OF LOANS	\$ AMOUNT OUTSTANDING
WHEDA -commercial	1	73,292
WHEDA - residential	4	160,407
Small Business Administration	1	100,438
Farm Service Agency	1	47,387
Veterans Administration	3	290,533
Federal Housing Administration	4	523,888

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.

Community Development Lending

In its efforts to meet the credit needs of the community, the bank regularly engages in community development lending, targeting affordable housing initiatives and other opportunities that benefit low- and moderate-income individuals and low-income geographies. The following table illustrates two community development loans extended by the bank in 1997:

LOAN AMOUNT	COMMUNITY DEVELOPMENT PURPOSE
\$1,500,000	Loan to a tribal entity for funding an inventory and receivables influx due to an excessive timber harvest resulting from trees downed or damaged by a large windstorm in July 1997.
\$14,000	Loan to a tribal entity for repairs of damage sustained during a large windstorm in July 1997.

CONCLUSION

The bank's overall lending performance is strong, considering its loan volume, high percentage of loans within the assessment area, and geographic distribution. The bank's loan-to-deposit ratio is well above its peer group and is comparable with its local competition. The bank's use of innovative and flexible lending programs and lending to businesses of different revenue sizes were strong. The bank's overall penetration of loans in the low-income BNA was reasonable, and a substantial majority of real estate, small business and small farm originations were within the assessment area.

INVESTMENT TEST

The bank's investment portfolio, donations and special programs that encourage community

development were reviewed. Qualified investments were also reviewed for innovativeness and responsiveness to the community development needs within the bank's assessment area. Although no qualified investment activity was identified in the bank's portfolio, discussions with management and community representatives, in conjunction with a review of local economic conditions and demographic data, revealed that investment opportunities within the assessment area are limited.

CONCLUSION

The bank's investment performance is rated low satisfactory. Considering the limited investment opportunities within the assessment area, the bank continues to willingly pursue local investment initiatives.

SERVICE TEST

The bank's systems for delivering retail banking and community development services were reviewed for range and accessibility, innovativeness and responsiveness, and alternative systems used for delivering those services. In addition, the distribution of the bank's branches, record of opening and closing branch offices and community development service activity were reviewed.

Retail Banking Services

M&I Bank of Shawano is a full-service bank with two branches and two ATMs located in Shawano County. The bank provides a full array of loans to consumers, businesses, and organizations in accordance with nondiscriminatory lending standards. Additionally, the bank offers a variety of deposit accounts, addressing all segments of the assessment area.

Distribution of Branches Among Geographies

The following table illustrates the bank's branch locations and hours of operation:

BRANCH LOCATION	COUNTY/ BNA	HOURS OF OPERATION		
Shawano 101 North Main Street Shawano, WI 54166	Shawano/ 9804.00	Lobby:	8:30am - 4:30pm 8:30am - 6:00pm	Monday - Thursday Friday
Shawano Airport 206 Airport Road Shawano, WI 54166	Shawano/ 9804.00	Lobby: Drive-Up:	8:30am - 6:00pm 8:30am - 12:00pm 7:30am - 6:00pm 7:30am - 12:00pm	Monday - Friday Saturday Monday - Friday Saturday
Shawano Auto Bank 204 East Fifth Street Shawano, WI 54166	Shawano/ 9804.00	Drive-Up:	7:30am - 6:00pm 7:30am - 12:00pm	Monday - Friday Saturday

Although all of the bank's branches are located in one BNA, they are readily accessible by all individuals within the assessment area.

Record of Opening and Closing Offices

Since becoming M&I Bank of Shawano, the bank has closed three branch offices. The Zachow Office was closed on November 30, 1995, due in part to profitability concerns raised by intense competition from local financial institutions. On September 15, 1997, the bank sold its Cecil Office to First State Bank, New London, as a condition of the acquisition of a Security Bank S.S.B. office located in Shawano. Once acquired, the Security Bank S.S.B. office was closed, due to its close proximity to the bank's main office, and the building was placed for sale. None of the closed offices were located in a low- or moderate-income geography.

Alternative Systems for Delivering Retail Banking Services

In addition to the products and services available at the branch locations, the bank offers a variety of methods to make banking services accessible to all individuals within the assessment area without visiting a branch. M&I customers are able to use any of the over 200 ATMs in the M&I network without charge. AMi LINE® a 24-hour, toll-free bank-by-phone service, permits customers access to their personal accounts. The bank also offers computer banking through M&I Direct; this service permits 24-hour banking. Additionally, Marshall & Ilsley maintains a website; individuals with Internet access may obtain information regarding M&I products and services.

Range and Accessibility of Services Provided to Geographies

Although only one office location is full-service, all three locations offer services to meet the needs of the assessment area, including the low-income geography and low- and moderate-income individuals. In addition to regular banking services, the bank offers the following:

- C Basic Checking - a low-cost account featuring no minimum balance, a low monthly maintenance fee, and ten free debits monthly.
- C M&I Young Adult Checking - another low-cost account, targeting the 18-25 age group, offering no minimum balance, a low monthly maintenance fee and a no annual fee credit card (subject to credit approval).
- C Small Business and Farm Specialists - lenders specializing in FSA, WHEDA and SBA lending programs.

Community Development Services

The bank provides community development services to several organizations through a number of targeted programs, employee involvement, technical assistance, and counseling activities. The bank continues to support the community through numerous development services, including workshops and seminars. Review of the bank's internal CRA files revealed that officers, directors and staff are actively involved in numerous local organizations that provide either direct or indirect support of local community development, such as local chambers of commerce and economic development corporations. A member of senior management is currently the only non-tribal board member of a Native American development corporation.

CONCLUSION

The bank's performance under the service test is generally strong. The bank's delivery systems are accessible to all portions of the assessment area, including the low-income geography. The bank's record of closing offices has not negatively impacted the delivery nor accessibility of services within its assessment area. The bank provides a considerable level of community development services, a number of which demonstrate responsiveness to community development needs.

OVERALL CONCLUSION

The bank's lending performance is very strong, as evidenced by its loan-to-deposit ratio, high number of loans within the assessment area and its record of lending to small businesses and small farms. The distribution of loans within the assessment area and among borrowers of different income levels and businesses of different sizes is strong. The bank did not have a high level of qualified community development investments, due to local economic conditions. Branch closings did not adversely affect the availability of services to residents of the assessment area.

GENERAL

The bank is in compliance with the substantive portions of antidiscrimination laws and regulations, including the Equal Credit Opportunity and Fair Housing Acts. A significant portion of consumer and commercial loan underwriting has been centralized. The review of M&I Bank of Shawano lending practices and underwriting conducted concurrent with this examination, supplemented an earlier review of centralized loan underwriting functions. The credit transactions reviewed in this examination represent a sample of loan applications for which credit decisions were made by bank lending personnel. 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.

APPENDIX A

<p>Scope of Examination</p> <p>The bank operated one full-service branch office, two deposit-taking offices and two ATMs within its assessment area, as of the date of the examination.</p> <p>The bank has defined one non-metropolitan assessment area based upon the location of its offices and its lending activity.</p> <p>On-site evaluations were conducted at the following office:</p> <p style="padding-left: 40px;">the bank's main office at 101 North Main Street, Shawano, WI 54166</p>	
<p>Time Period Reviewed</p>	<p>The bank's CRA performance is based on its activities since January 1, 1996.</p>
<p>Financial Institution: M&I Bank Shawano Shawano, Wisconsin</p>	<p>The loan data reflected in the report includes all of 1996 HMDA-reportable mortgage and CRA small business/small farm/community development lending data and the first six months of 1997 lending data.</p>
<p>Affiliates</p>	<p>The lending activities of M&I Mortgage Corp. were included in the lending reviewed.</p>