

## 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 Fox Valley, Appleton, 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.

The bank's overall lending is strong as reflected by a substantial majority of lending within its assessment area. The bank has a strong level of lending to small businesses and farms based on the high portion of loans of \$100,000 or less, and a high percentage of commercial loans extended to business and farms with gross annual revenues of \$1 million or less. Branch locations are generally accessible to all residents of the bank's assessment areas; the services offered meet community needs. The bank's low level of investment activity is adequate considering the limited number of available investment opportunities.

The following table indicates the performance level of **M&I Bank Fox Valley, Appleton, 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 Fox Valley, Appleton, Wisconsin		
	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 FOX VALLEY’S ASSESSMENT AREA**

The bank defines its assessment area as all of Outagamie and Calumet Counties, portions of Waupaca and Winnebago Counties and one block numbering area (BNA) from Fond du Lac County all of which are located in Wisconsin. Winnebago, Outagamie and Calumet Counties comprise the Appleton-Oshkosh-Neenah Metropolitan Statistical Area (MSA). The assessment area contains 71 census tracts and block numbering areas (BNAs); three are defined as low-income, three as moderate-income, 57 as middle-income and eight as upper-income tracts. The three low-income census tracts have zero population; thus, activity within these tracts will be evaluated accordingly. The bank’s overall performance will be evaluated separately within the Appleton-Oshkosh-Neenah MSA and within the non-MSA assessment area. The population of both assessment areas is 274,274 according to 1990 census data. The combined assessment area median family income was \$37,649, compared to \$35,082 for the State of Wisconsin.

The following chart details the income characteristics of families in both assessment areas, according to 1990 census data:

<b>Income Characteristics of Assessment Area Population</b>					
<b>Income Level<sup>1</sup></b>	Low-	Moderate-	Middle-	Upper-	Total
<b>Number of Families</b>	10,321*	13,258	22,235	28,409	74,223
<b>Percentage of Families</b>	13.9%*	17.9%	30.0%	38.3%	100.0%

\*A total of 3,423 or 4.5% of the families have incomes less than the poverty level.

Major employers within both assessment areas include: United Health Group- employing

---

<sup>1</sup>Low-income is defined as individual income, or in the case of a geography, a median family income that is less than 50 percent of the MSA median family income.

Moderate-income is defined as individual income, or in the case of geography, a median family income that is at least 50 percent and less than 80 percent of the MSA median family income.

Middle-income is defined as individual income, or in the case of a geography, a median family income that is at least 80 percent and less then 120 percent of the MSA median family income.

Upper-income is defined as individual income, or in the case of a geography, a median family income that is 120 percent or more of the MSA median family income.

2,500; Kimberly-Clark Corp.- employing 5,500; Electronic Assembly Corp.- employing 1,300; Waupaca Foundry, Inc.- employing 1,800; Appleton Papers Inc.- employing 2,000; Miller Electric Mfg. Co.- employing 1,550; and Tecumseh Product Co., New Holstein Operations - employing 2,000.

The median value of a home in both assessment areas according to 1990 census data, is \$62,275, in comparison to the State of Wisconsin median value of \$62,141. Approximately 69.0% of the housing stock is owner-occupied, 25.7% are rental units and the remaining 5.3% are vacant or boarded-up units. Only 2.7% of both assessment areas= owner-occupied housing stock is located in the three moderate-income census tracts.

According to the State of Wisconsin Department of Workforce Development, the December 1997 non seasonally-adjusted unemployment rate for the counties represented in both assessment areas are as follows: Calumet County - 3.4%; Outagamie County - 2.5%; Waupaca County - 3.2%; and Winnebago County - 2.3%. Unemployment rates are generally consistent with levels noted in December of 1996 except for Calumet County which had a rate of 2.4% in December 1996. The State of Wisconsin unemployment rate for December 1997 is 3.0% and remains at the level noted in December 1996. According to community representatives, the economy has had steady economic growth; the paper industry and tourism play a major role in the local economy.

## **DESCRIPTION OF INSTITUTION**

On June 1, 1994, M&I New Holstein and Valley Bank merged to become M&I Bank of Fox Valley. M&I Bank Fox Valley, with a total asset size of \$850 million as of December 31, 1997, is a wholly-owned subsidiary of the Marshall & Ilsley Corporation, a multi-bank holding company located in Milwaukee, Wisconsin. The bank operates its main office in Appleton, 15 branch offices and one loan production office. The bank's most recent CRA examination was conducted on April 3, 1993 with a rating of **A** outstanding record of meeting credit needs. The bank's loan portfolio consists primarily of commercial, commercial real estate and real estate mortgage loans.

The bank derives local competition from a number of financial institutions within both assessment areas, including: Bank One, Wisconsin (branches of Milwaukee); Norwest Bank Wisconsin, N.A. (branches of Milwaukee); Associated Bank, National Association (branch of Neenah); and Firststar Bank Wisconsin (branches of Madison).

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

The evaluation of the bank's CRA performance included a review of the bank's performance under the lending, investment and services tests. Under the lending test a review is conducted in relation to its deposits and that of other comparable financial institutions; the penetration of loan originations inside the bank's defined assessment area; responsiveness to credit needs of individuals of different income levels and businesses and farms of different

revenue sizes; and the bank's community development activities. Investments and grants are reviewed for support of community development initiatives. Under the service test, the business hours and location of branches are reviewed for accessibility to residents of the assessment area; the bank's level of community development services are also reviewed. Additionally, community representatives are contacted to determine the bank's responsiveness to credit and community development needs and in addition, to determine the demand and opportunities for community development loans and investments.

**LENDING TEST**

The bank's 1996 and year-to-date 1997 small business, small farm and real estate originations were reviewed to evaluate the bank's lending volume, geographic distribution of loans, distribution of lending based upon borrowers' characteristics, community development lending and use of innovative and flexible lending practices. The real estate loans reviewed include those loans originated by the the affiliated, M&I Mortgage Corp.

Lending Volume

The average loan-to-deposit ratio was reviewed since it provides a measure of the bank's willingness to lend for the legitimate credit needs of it assessment area within the bounds of safe and sound banking practices. A review of the Uniform Bank Performance Report for the last eight quarters beginning March 31, 1996, revealed an average loan-to-deposit ratio of 76.59%. The bank's loan-to-deposit ratio has been fairly consistent throughout the eight quarters and is currently 76.25%. In addition, the bank's ratio is comparable to its peers with an average loan-to-deposit ratio of 76.82%. The following chart illustrates the bank's asset size and average loan-to-deposit ratio in comparison to local competitors:

<b>INSTITUTIONS= AVERAGE LOAN TO DEPOSIT RATIO AND ASSET SIZE</b>		
<b>Institution Name</b>	<b>Average Loan-to-Deposit Ratio %</b>	<b>Asset Size (000's) as of 12/3197</b>
M&I Bank Fox Valley	76.6	\$850,269
Bank One, Wisconsin	119.3	\$9,080,380
Norwest Bank Wisconsin, N.A.	52.9	\$1,785,252
Associated Bank, National Association	86.6	\$780,764
Firststar Bank, Wisconsin	88.2	\$7,382,605

The above chart indicates that the bank's loan-to-deposit ratio is lower than all local competitors with the exception of one. Nevertheless, information provided by corporate staff

indicated that M&I Bank Fox Valley is the largest mortgage lender among all banks, savings institutions, credit unions and mortgage banks in Outagamie and Winnebago Counties. M&I Bank Fox Valley made 1,718 mortgage loans totaling \$167 million in 1997; Associated Banks with 1,310 mortgage loans and Fox Cities Bank, F.S.B. with 1,449 mortgage loans were the next largest mortgage lenders. A significant number of the bank's mortgage loans are sold in the secondary market and are not reflected in the bank's loan-to-deposit ratio. The following chart illustrates the composition of the bank's loan portfolio as compared to peer levels:

M&I BANK FOX VALLEY LOAN PORTFOLIO		
LOAN TYPE	BANK AVERAGE LOAN MIX (%)	PEER AVERAGE LOAN MIX (%)
REAL ESTATE LOANS		
Construction/Development	3.71	3.73
1 - 4 Family Residential	27.44	29.38
Home Equity	2.21	2.77
Other Real Estate	31.77	23.53
Farmland	3.93	0.46
Multi-family	2.3	1.44
Commercial	25.53	19.79
TOTAL REAL ESTATE LOANS	62.91	61.15
LOANS TO INDIVIDUALS	7.48	13.39
CREDIT CARD LOANS	1.98	0.73
COMMERCIAL & INDUSTRIAL LOANS	20.94	16.14
AGRICULTURAL LOANS	6.03	0.38
MUNICIPAL LOANS	2.05	0.43
OTHER LOANS*	0.58	0.39
Data for this chart was taken from the December 31, 1997, Uniform Bank Performance Report (UBPR). *Excludes Financial Institution Loans, Acceptances of Other Banks, Foreign Office Loans and Leases, and Lease Financing Receivables		

The composition of the bank's loan portfolio is generally consistent with peer levels; comments from bank management and community representatives indicate that bank lending meets the credit needs of both assessment areas.

Lending in the Assessment Area

A review of the bank's analysis of 1996 and year-to-date 1997 HMDA-reportable mortgage, small business and small farm loan originations was made to determine the bank's level of lending in both assessment areas. The following table details the number of loans and the percentages of loans made within the combined assessment areas:

<b>LOANS MADE WITHIN BOTH ASSESSMENT AREAS</b> <b>1996 and year-to-date, 1997</b>		
<b>Loan Type</b>	<b>Number of Loans Originated Within the Assessment Area</b>	<b>Percentage of Total Loans in Assessment Area</b>
Real Estate Mortgage	1,557	86.8%
Small Business	2,544	93.2%
Small Farm	1,057	84.9%

As the data illustrates, the bank extends a substantial majority of real estate mortgage, small business and small farm loans in both assessment areas.

Geographic Distribution

The bank's analysis of 1996 and year-to-date 1997 HMDA-reportable mortgage, small business and small farm loan originations was reviewed to determine the bank's geographic distribution of lending in both assessment areas. There are three moderate-income census tracts which represent 4.2% of the tracts and BNAs in both assessment areas.

An analysis of lending in the assessment area indicates that the bank has a reasonable distribution of lending within census tracts of different income levels within both assessment areas. The geographic distribution of lending within both assessment areas will also be analyzed separately. The following chart illustrates the number and the percentage of loans made within each type of census tract/BNA:

<b>GEOGRAPHIC DISTRIBUTION OF LOANS</b> <b>1996 and year-to-date, 1997</b>						
<b>Loan Type</b>	<b>Moderate-Income</b>		<b>Middle-Income</b>		<b>Upper-Income</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Real Estate	14	0.9	1,324	85.0	219	14.1
Small Business	198	7.8	1,698	66.8	646	25.4
Small Farm	1	0.1	964	91.2	92	8.7

The bank's penetration of loan within the three types of tracts/BNAs is generally strong; the bank's small business lending was strong within the moderate-income census tracts. Middle-

income census tracts/BNAs comprise a combined 83.8% of the tracts/BNAs in both assessment areas; consistent with a majority of real estate, small business and small farm originations in middle-income geographies.

The geographic distribution of loans reflects a good penetration within both assessment areas. There are a total of four tracts (207.98; 208.98; 209.98; 130.00) with no lending activity; of these, three have no population. Census tract 130.00 is a middle-income tract with a population of 1,100 and is located in the far northwest corner of the assessment area. In addition, one census tract (101.00) had no real estate lending; however, there are only 103 owner-occupied households in this tract which represents less than one percent of the owner-occupied households in both assessment areas.

Borrower Characteristics

The bank's internal analysis of 1996 and year-to-date 1997 real estate mortgage, and small business and small farm loans was analyzed to assess lending to borrowers of different income levels and to farms and businesses of different revenue sizes.

The following table illustrates the distribution of the number and percentage of real estate loans to borrowers of different income levels:

NUMBER OF LOANS TO BORROWERS OF DIFFERENT INCOME LEVELS 1996 AND YEAR-TO-DATE, 1997								
LOAN TYPE	LOW-INCOME		MODERATE-INCOME		MIDDLE-INCOME		UPPER-INCOME	
	#	%	#	%	#	%	#	%
Real Estate Mortgages	70	4.5%	247	15.9%	470	30.3%	765	49.3%

Approximately 13.9% of families in the assessment area are low-income and 17.9% are moderate-income, based upon 1990 census data; however, 4.5% of all families in both assessment areas have incomes below the poverty level. An analysis of real estate lending indicates that 20.4% of the bank's lending total mortgage lending is to low- or moderate-income borrowers.

The following table summarizes the distribution of the bank's 1996 and year-to-date, 1997 small business and small farm lending by loan amount:

SMALL BUSINESS/SMALL FARM ORIGINATIONS BY NUMBER AND \$ AMOUNT 1996 AND YEAR-TO-DATE 1997						
Loan Type	Loan Amount < \$100,000		Loan Amount > \$100,000 &< \$250,000		Loan Amount > \$250,000	
	#	\$000	#	\$000	#	\$000
Small Business	1,948	\$58,932	348	\$59,519	248	\$122,442
Small Farm	926	\$25,047	97	\$14,103	34	\$11,087
Total	2,874	\$83,979	445	\$73,622	282	\$133,529

A review of 1996 and year-to-date 1997 small business and small farm originations indicated that 76.6% of the number of the bank's small business loans and 87.6% of the number of small farm loans were in amounts of \$100,000 or less.

The following table summarizes the distribution of the bank's 1996 and 1997 small business and small farm lending to firms with gross annual revenues of \$1 million or less:

LOANS MADE TO SMALL BUSINESS/SMALL FARM WITH REVENUES \$1 MILLION OR LESS 1996 AND YEAR-TO-DATE 1997		
Loan Type	#	\$000
Small Business	1,777	\$123,996
Small Farm	1,037	\$47,365
Total	2,814	\$171,361

An analysis of the gross annual revenues of the businesses and farm borrowers referenced in the above table reveals that 69.9% of the total number of small business and 98.1% of the total number of small farm loans within the assessment area were extended to business and farms with gross annual revenues of \$1 million or less.

The bank's lending to businesses of different revenue sizes is commendable. Based on the number of small business and small farm loans in amounts less than \$100,000 and the percentage of the total number of originations to businesses and farms with revenues less than \$1 million, the bank's lending to businesses and farms of different sizes is strong.

Community representatives also had positive comments as to the bank's commercial lending;

these representatives indicated that M&I Bank Fox Valley was a leader among financial institutions serving small businesses and small farm owners.

The bank also 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- and moderate-income geographies; this includes the complete line of lending products available at all M&I affiliates. The bank offers a number of loan products that are specifically designed to assist low- and moderate-income individuals. These programs include the following: M&I Neighborhood Home Loan Program (NHLP); Down payment Assistance - Appleton Housing Authority (D.O.O.R.S); Helping Hands Loan Program; ADVOCAP Program; and CAP Services Home Buyers Assistance Program.

The M&I NHLP loan program is an example of an flexible loan program; it is designed to help low-income individuals purchase homes. The program allows a borrower to obtain an ARM or 5-year balloon loan with either a 3% or 5% down payment. Unlike conventional real estate loans, the bank does not require PMI on these loans. In addition, timely rent, utility and other monthly payments will be considered when reviewing a borrower's qualifications. Eligible borrowers must have incomes not exceeding 100% of HUD median county income.

Another lending program, D.O.O.R.S, offers grants for down payment and/or closing cost assistance, targeting Appleton residents who are first time home buyers with incomes at or below 80% of the county median income. The following chart details the bank's participation in the NHLP and D.O.O.R.S program for the years, 1996 and 1997:

<b>NHLP and D.O.O.R.S. LOAN ORIGINATIONS</b>			
<b>Program</b>	<b>Year of Origination</b>	<b>Number of Loans</b>	<b>\$ Amount of Loans*</b>
<b>NHLP</b>	1996	2	141,500
	1997	11	682,593
<b>D.O.O.R.S.</b>	1996	4	196,000
	1997	5	277,100

\*This total only represents four of the D.O.O.R.S. loans made in 1997.

Additionally, the bank participates in several government-guaranteed loan programs that are

designed to address the credit needs of low- and moderate-income individuals, small business owners and small farming operations. Examples of these programs include the bank's participation in the Small Business Administration (SBA), Veterans Administration (VA), Wisconsin Housing and Economic Development Authority (WHEDA) Crop and WHEDA Home loan programs. The following table details the number and amounts of loan originations since January 1, 1996:

GOVERNMENT SPONSORED LOAN PROGRAMS Originated between 1/1/96 - 12/31/97		
PROGRAM	NUMBER ORIGINATED	\$ ORIGINATED
SBA	22	\$4,471,191
VA	9	\$814,000
WHEDA Crop*	32	\$480,687
WHEDA Home	38	\$2,161,000
* 1997 originations		

The bank's participation in these programs enhance the bank's ability to provide financing for small farm operations including beginning farmers, small business owners and home purchasers who are low- or moderate-income individuals.

Community Development Lending

An analysis of the bank's community development lending reveals that community development lending opportunities are limited in both the MSA and the non-MSA assessment areas. The bank originated one qualified community development loan, described below:

- C Emergency Shelters of Appleton, Inc. - The Emergency Shelter is a not-for-profit agency providing temporary shelter to homeless men and women. The purpose of the loan of \$450,000 was to construct a new facility for the shelter.

Community representatives confirmed the lack of community development lending opportunities in the assessment area; bank management also agreed that there are a lack of community development lending opportunities. The bank's mortgage, small business and small farm lending is evidence of the bank's commitment to community development within both assessment areas. The number of community development loans made by the bank is considered adequate, considering that there are only three moderate-income census tracts that contain 2.3% of both assessment areas' total population, and that there are no other identified

unmet credit needs.

## **CONCLUSION**

The bank's performance is generally strong, based upon the bank's responsiveness to assessment area credit needs, a substantial majority of the bank's lending is within both assessment areas, a generally strong geographic distribution and a strong level of lending to borrowers of different incomes and businesses and farms of different revenue sizes, including the use of innovative and flexible lending programs. The bank's community development lending is limited; however, it has been demonstrated by bank management and community representatives that community development lending opportunities are limited.

## **INVESTMENT TEST**

The bank's investment portfolio, donations and special programs that foster community development were reviewed. It was determined that the bank does not have any qualified investments as defined by the regulation. Discussions with bank management and community representatives revealed the bank's willingness to be involved in the community development opportunities; however, investment opportunities that meet the definition of community development are limited.

### **Degree to Which Investments Are Not Provided by Private Investors**

The bank provides a generally strong level of investment in the form of donations, which support the ongoing operating expenses of community nonprofit organizations and generally promote community development within both assessment areas. Operating grants, which are essential to the ongoing viability of these organizations, are not routinely available from private investors.

The bank has made a significant amount of grants to community organizations; however, only \$13,211 of the donations for 1996 and year-to-date 1997 qualify as community development investments. These grants support local agencies providing transitional housing and community development services; additional grants support community development efforts to increase overall business activity including those to support small businesses and to encourage those interested in small farming operations. A significant level of grants in part, have community development as their primary purpose; however, the exact level could not be determined for donations such as those made to the United Way.

### **Responsiveness to Available Opportunities**

The bank's current level of investment is reflective of the level of opportunities for qualified

investments within both assessment areas. Discussions with bank management and community representatives and in consideration of the bank’s generally strong performance under the lending and service tests, suggest that the bank is adequately serving its assessment areas’ credit needs. No criticisms of the bank’s level of investments were made by any community representatives.

**CONCLUSION**

The bank’s performance within the investment test is considered acceptable. The bank’s limited qualified investments are indicative of the community’s lack of opportunities as suggested by community representatives. The bank provides investments in the form of grants to support community development initiatives. The bank has a significant level of investments in the form of grants considering the available opportunities in both assessment areas. The bank provides contributions to organizations that provide housing and community development services to benefit low- and moderate-income individuals and to promote small business and small farming operations.

**SERVICE TEST**

The bank’s systems for delivering retail banking and community development services were reviewed, to determine 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 services activity were reviewed.

Retail Banking Services

M&I Fox Valley Bank is a full-service bank with a total of 16 branches, including the main office; in addition, the bank operates one loan production office (LPO). The bank provides a full array of loan and deposit products to consumers, organizations, businesses and farming operations in accordance with uniform nondiscriminatory standards. In addition, the bank offers various checking and interest bearing accounts as well as cash management, and investment services through M&I Brokerage Services. The following chart details a listing of the bank’s locations and lobby and drive-up hours:

BRANCH BANK ADDRESS LISTING AND HOURS OF SERVICE			
Location	Census Tract/BNA	Lobby and Drive-up Hours	
Appleton 221 W. College Avenue Appleton, WI 54911	101.00	Lobby Hours	M-F 9am-5pm

		Drive-up Hours	No drive-up Hours
Appleton Calumet 2009 E. Calumet Street Appleton, WI 54915	203.01	Lobby Hours	M-Th 9am-5pm, F 9am-6pm, Sat 9am-12pm
		Drive-up Hours	M-F 8am-6pm, Sat 9am-12pm
Appleton North Auto Bank 301 N. Appleton Street Appleton, WI 54911	101.00	Lobby Hours	No Lobby Hours
		Drive-up Hours	M-F 7am-6pm
Appleton West College 2915 W. College Avenue Appleton, WI 54914	110.00	Lobby Hours	M-F 9am-5pm
		Drive-up Hours	M-F 7:30am-6pm, Sat 9am-12pm
Appleton Wisconsin Ave 402 E. Wisconsin Avenue Appleton, WI 54911	113.00	Lobby Hours	M-F 9am-5pm
		Drive-up Hours	M-F 8:30am-6pm
Black Creek 101 N. Main Street Black Creek, WI 54106	128.00	Lobby Hours	M-W 8:30am-4:30pm, Th-F 8:30am-6pm
		Drive-up Hours	M-W 8:30am-4:30pm, Th-F 8:30am-6pm
Chilton 35 E. Main Street Chilton, WI 53014	205.00	Lobby Hours	M-Th 8:30am-4pm, F 8:30am-6pm
		Drive-up Hours	M-Th 8am-5pm, F 8am-6:30pm
Fremont 310 Wolf River Drive Fremont, WI 54940	9908.00	Lobby Hours	M-Th 8:30am-4:30pm, F 8:30am-6pm
		Drive-up Hours	M-Th 8:30am-4:30pm, F 8:30am-6pm
Greenville N1724 State Hwy 76 Greenville, WI 54942	126.00	Lobby Hours	M-Th 8am-5pm, F 8am-6pm
		Drive-up Hours	M-Th 8am-5pm, F 8am-6pm
Hortonville 132 E. Main Street Hortonville, WI 54944	127.00	Lobby Hours	M-W 8:30am-4:30pm, Th 8:30am-5pm, F 8:30am-6pm
		Drive-up Hours	M-W 8am-4:30pm, Th 8am-5:30pm, F 8am-6pm
Menasha 1093 Appleton Road Menasha, WI 54952	26.01	Lobby Hours	M-Th 9am-5pm, F 9am-5pm
		Drive-up Hours	M-F 8:30am-5pm
Neenah 643 S. Green Bay Road Neenah, WI 54956	34.00	Lobby Hours	M-F 9am-5pm, Sat 9am-5pm
		Drive-up Hours	M-Th 8:30am-5pm, F 8:30am-5pm, Sat 9am-12pm
New Holstein 1820 Wisconsin Avenue New Holstein, WI 53061	206.00	Lobby Hours	M-Th 8:30am-4:30, F 8:30am-7pm
		Drive-up Hours	M-Th 8:30am-5pm, F 8:30am-7pm
Sherwood W443 Veterans Avenue Sherwood, WI 54169	203.02	Lobby Hours	M-W 9am-4:30pm, Th-F 9am-6pm
		Drive-up Hours	M-W 8:30am-4:30pm, Th-F 8:30am-6pm
Shiocton N5579 State Road 76 Shiocton, WI 54170	128.00	Lobby Hours	M-W 8:30am-4:30pm, Th-F 8:30am-6pm
		Drive-up Hours	M-W 8:30am-4:30pm, Th-F 8:30am-6pm

Weyauwega 110 W. Main Street Weyauwega, WI 54983	9907	Lobby Hours	M-Th 8:30am-4:30pm, F 8:30am-6pm
		Drive-up Hours	M-Th 8:30am-4:30pm, F 8:30am-6pm
Appleton Park Place LPO 59 Park Place Appleton, WI 54914	125.00	Lobby Hours	M-F 8:30am-5pm
		Drive-up Hours	No Drive-up Hours

The bank's hours and days of service are flexible and provide accessibility to banking services within both assessment areas. Although Saturday hours are limited to high-traffic locations such as West College and Neenah, discussions with management and calls to local financial institutions indicated that most offer limited, Saturday hours.

Distribution of Branches Among Geographies

The bank has branch offices in four of the five counties comprising both assessment areas (Outagamie, Calumet, Waupaca and the northern portion of Winnebago Counties); the bank's New Holstein branch is accessible to the one BNA represented in Fond du Lac County. Three of the 71 geographies in the assessment area are moderate-income; the bank's main office and auto bank are located in moderate-income census tract, 101.00.

Record of Opening and Closing Offices

The following chart details the bank's record of office closings since the previous examination:

<b>OFFICES CLOSED SINCE PREVIOUS EXAMINATION</b>		
<b>Facility/Location</b>	<b>Date</b>	<b>Action Taken/Description</b>
10th Avenue Mall, Appleton*	8/1/94	Branch closing due to limited activity and the proximity to other locations
Dale Branch, Dale	11/30/94	Branch closing due to proximity of M&I branches in Hortonville, Fremont and Greenville.
Manitowoc Supermarket, 3415 Custer Street, Manitowoc	3/17/94	Sale of a supermarket branch to First Federal Savings and Loan
North Drive-In 310 N. Appleton Street, Appleton	1/30/98	Closing of a drive-up facility due to availability of drive-up service at three other locations
Copps Supermarket Branch 1919 E. Calumet Street, Appleton	10/10/97	Closing/consolidation with a Security Bank office, due to proximity
*Moderate-income census tract		

A review of the bank's branch opening and closing files indicated that the closings/consolidation of facilities did not have a negative impact upon the bank's ability to

meet service needs within either assessment area, or pose an undue hardship for customers in the moderate-income census tract. The availability of services at nearby affiliate locations provides reasonable service options for its customers.

#### Alternative Systems for Delivering Retail Banking Services

The bank's alternative banking services include a network of 17 full-service ATMs within both assessment areas; four of the bank's ATMs are located in moderate-income census tract 101.00. The bank's ATMs are part of the TYME network and can be accessed anywhere in Wisconsin; there are also over 200 ATMs operated by affiliates of this bank within the State of Wisconsin that can be accessed without a fee.

Additionally, the bank provides account information and banking services through M&I Direct, a 24-hour, seven day, toll-free number which provides access to customer accounts. The bank also offers M&I Mortgage Direct (through M&I Mortgage Corp.), a toll-free number, through which individuals can apply for mortgage loans; this service offers extended weekday and Saturday hours. The bank also extends its normal banking hours by utilizing designated mortgage loan originators who can take applications at a customer's home or place of business at any time. The bank also has two Hmong translators to enhance the availability of banking services within the Hmong community.

#### Community Development Service Activity

The bank provides community development services to benefit several organizations; these services include providing technical assistance, conducting seminars and workshops and participation in counseling activities. The bank continues to support the community through employee and officer involvement. A review of the bank's internal report of officer/employee community involvement indicate that bank officers and employees contributed a total of 18,082 hours to various social, civic and community development organizations; 2,576 of the total hours were contributed on bank time. Of these hours, approximately 739 hours were spent so that officers or employees could carry out their leadership roles in community development service organizations. Approximately 540 of these community development service hours were contributed during normal bank working hours. Bank officers and employers have active roles in a number of organizations, such as the Outagamie Housing Authority, Habitat for Humanity, Weyauwega and Waupaca Chambers of Commerce, Waupaca Economic Development Committee, Chilton and Fox Cities Chamber of Commerce.

Although there has been limited interest, the bank conducts at least one home buyer seminar yearly; generally less than 10 individuals attend each seminar.

## **CONCLUSION**

The bank's system for the delivery of its services within both assessment areas is considered strong. The bank provides access to loan and deposit services through the use of various traditional means, automated systems and its affiliate network. The bank provided a high

level of community development services. Branch closings did not negatively impact low- or moderate-income individuals.

### **OVERALL CONCLUSION**

Overall the bank's performance is considered generally strong. The bank has demonstrated a willingness to lend in both assessment areas. A substantial majority of loans are within both assessment areas; the bank also has an adequate level of lending to individuals of different income levels and a reasonable level of lending to small business and small farming operations. Community development lending and investment opportunities are limited; the bank has one community development loan and no qualified investments. The bank's service delivery systems are accessible to all portions of both assessment areas. Closing of branches has not adversely affected the accessibility of services in moderate-income geographies or to low- or moderate-income individuals.

### **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 at the corporate level. 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 and corporate personnel have 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.

**PERFORMANCE IN APPLETON-OSHKOSH-NEENAH MSA**

**DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE MSA:**

The Appleton-Oshkosh-Neenah MSA has a total population of 240,000 and represents 87.5% of the population of both assessment areas. The MSA consists of 63 census tracts and contains all of the low- and moderate-income census tracts within both assessment areas. Of the 72,907 owner-occupied housing units in the assessment area, 62,427 or 87.0% are in the MSA. The main office, thirteen branches and the LPO are located within the MSA assessment area.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE MSA:**

**LENDING TEST**

The bank’s internal analysis of 1996 and year-to-date 1997 HMDA-reportable mortgage, small business and small farm originations was reviewed to analyze the bank’s lending within the MSA. This review included the bank’s geographic distribution of loans, the distribution of lending by borrower income characteristics, the use of innovative and flexible lending practices and community development lending.

Lending in the MSA Assessment Area

HMDA-reportable real estate mortgage, small business and small farm loans extended in 1996 and year-to-date 1997 were reviewed to determine the bank’s level of lending in this assessment area. The following table reveals the number and percentage of loans made within the MSA assessment area:

<b>PERCENTAGE OF LOANS MADE IN THE MSA COMPARED TO OVERALL BANK LENDING 1996 AND YEAR-TO-DATE, 1997</b>		
<b>Loan Type</b>	<b>Number of Loans Originated in Both Assessment Areas</b>	<b>Percentage in MSA</b>
Real Estate Mortgage	1,557	84.9%
Small Business	2,544	95.1%
Small Farm	1,057	74.6%

As the data illustrates, a substantial majority of real estate mortgage, small business and small farm loans extended within both assessment areas were made in the MSA assessment area. This is consistent with demographic information; 87.5% of the population within both assessment areas resides in the MSA assessment area.

Geographic Distribution

A review to assess the bank's 1996 and 1997 year-to-date HMDA-reportable mortgage, small business and small farm originations analysis was conducted to determine the geographic distribution of loans within the MSA assessment area.

Analysis of lending in the assessment area indicates that the bank has a generally strong distribution of lending penetration within the MSA. The following chart illustrates the percentage of loans made within each type of census tract:

GEOGRAPHIC DISTRIBUTION OF LOANS IN MSA 1996 AND YEAR-TO-DATE, 1997						
Loan Type	Moderate-Income		Middle-Income		Upper-Income	
	#	%	#	%	#	%
Real Estate	14	1.0%	1,133	85.3%	182	13.7%
Small Business	198	8.2%	1,596	66.0%	624	25.8%
Small Farm	1	0.1%	770	97.7%	17	2.2%

The bank's lending is generally consistent with 1996 overall MSA small business aggregate lending levels; 2.00% of the aggregate number of small business loans were made in low-income census tracts and 10.76% were made in moderate-income tracts. The bank's lending is generally consistent with 1996 small farm aggregate lending levels; there were no small farm loans made in low-income census tracts; only 0.58% were made in moderate-income tracts.

The bank's lending within low- and moderate-income tracts is generally consistent with the percentage of 1996 aggregate mortgage lending within the MSA; 0.1% and 4.52% of the aggregate lending is within low- and moderate-income tracts, respectively.

The bank's mortgage, small business and small farm loan penetration among different types of census tracts within its assessment area is reasonable due to the demographic characteristics of the assessment area, general consistency with aggregate lending levels, overall lending levels within the MSA assessment area and consistency with information provided by community representatives.

Borrower Characteristics

The bank's 1996 and year-to-date 1997 real estate mortgage, small business and small farm loans were analyzed to assess lending to borrowers of different income levels and businesses of different revenue sizes within the MSA

The following table illustrates the distribution of HMDA-reportable real estate mortgage loans to borrowers of different income levels:

NUMBER OF LOANS TO BORROWERS OF DIFFERENT INCOME LEVELS IN MSA ASSESSMENT AREA 1996 and year-to-date, 1997								
LOAN TYPE	Low-Income		Moderate-Income		Middle-Income		Upper-Income	
	#	%	#	%	#	%	#	%
Real Estate Mortgages	64	4.8%	222	16.8%	398	30.1%	640	48.3%

Approximately 13.9% of families in the MSA assessment area are low-income and 17.9% are moderate-income, according to 1990 census data; 4.6% of the total MSA assessment area population has incomes less than the poverty level. The analysis of real estate lending indicates that 21.6% of lending is to low- and moderate-income individuals; based on the demographic make-up of the MSA assessment area, this is considered an adequate penetration. The bank's lending is consistent with 1996 aggregate mortgage lending levels; 5.49% and 20.05%, respectively, of aggregate lending is to low- and moderate-income individuals.

The following table illustrates the small business and small farm originations extended in the MSA by loan amount:

SMALL BUSINESS/SMALL FARM ORIGINATIONS BY NUMBER AND \$ AMOUNT IN THE MSA 1996 and year-to-date, 1997						
Loan Type	Loan Amount < \$100K		Loan Amount > \$100K &< \$250K		Loan Amount > \$250K	
	#	\$000	#	\$000	#	\$000
Small Business Loans	1,808	\$55,225	328	\$56,464	246	\$120,862
Small Farm Loans	696	\$18,909	68	\$9,874	24	\$8,183
Total	2,504	\$74,134	396	\$66,338	270	\$129,045

This table reveals that a total of 75.9% of the small business and 88.3% of small farm originations in the MSA were in amounts of \$100,000 or less. The bank's lending is generally consistent with the 1996 overall MSA aggregate small business and small farm lending levels; this data indicates that 80.90% and 87.48% of the numbers of all small farm and small business loans, respectively, were for amounts less than \$100,000.

The following table details the bank's lending to small business and small farms with gross annual revenues of \$1 million or less:

LOANS MADE TO SMALL BUSINESS/SMALL FARM WITH REVENUES \$1 MILLION OR LESS 1996 AND YEAR-TO-DATE, 1997		
Loan Type	#	\$000
Small Business	1,636	\$116,982
Small Farm	770	\$34,176
Total	2,406	\$151,158

An analysis of the gross annual revenues of the businesses and farms referenced in the above table reveals that 68.7% and 97.7%, respectively, were extended to businesses and farms with gross annual revenues of less than \$1 million. The bank's lending is generally consistent with the 1996 MSA aggregate small business/small farm lending data; this data indicates 62.14% and 98.25%, respectively, of the total number of small business and small farm loans were made to firms with revenues of less than \$1 million.

The bank's mortgage, small farming and small business loan penetration among borrowers of different income levels and businesses and farms of different revenue sizes is reasonable based upon the demographic characteristics of the assessment area, general consistency with MSA aggregate lending levels and consistency with information provided by community representatives.

The bank also offers a variety of loan products and loan terms that evidence its willingness to offer flexible and innovative lending standards; the analysis of the bank's overall performance describes these programs. Of all the products that the bank offers, only one strictly benefits the MSA assessment area. The D.O.O.R.S Program targets Appleton residents with incomes at or below 80% of the county median income. The bank made nine D.O.O.R.S. loans in 1996 and 1997 totaling approximately \$473,100.

The bank's participation in these loan programs increases the opportunities for lending to both low- and moderate-income individuals as well as start-up and existing small businesses and small farming operations.

#### Community Development Lending

Opportunities for community development in the MSA assessment area are limited. The sole qualified community development loan within the MSA was to the Emergency Shelters of Appleton, Inc. Community representatives and bank management indicated that there is a

lack of community development lending opportunities. The bank's strong level of small business and small farm lending exhibits a responsiveness to the MSA's community development lending needs.

## **CONCLUSION**

The bank's overall lending performance is considered generally strong, as evidenced in its loan volume, a high percentage of loans within the assessment area and the geographic distribution of the bank's HMDA-reportable, small business and small farm lending. In addition, the bank's lending to businesses and farms of different revenue sizes was strong, including its use of innovative and flexible lending programs. Community development lending was limited, due to the lack of opportunities within the MSA assessment area.

## **INVESTMENT TEST**

The bank's investment portfolio, grants and donations that contribute to local community development efforts were reviewed. Qualified investments were also reviewed for innovativeness and responsiveness to the community development needs within the MSA assessment area. Interviews with bank management and community representatives revealed that there are limited community development investment opportunities in the MSA.

### **Degree to Which Investments are not Provided by Private Investors**

No qualified investments were made in the time period since January 1, 1996. Despite the limited number of qualified investments, the bank made a number of grants within the MSA, which are detailed in the overall assessment of the bank's performance.

### **Responsiveness to Available Opportunities**

The bank's limited number of qualified investments reflects the limited numbers of opportunities available in the MSA. A review of the bank's overall lending performance, and discussions with bank management and community representatives indicate that the bank is responsive to the community development needs of the assessment area.

## **CONCLUSION**

The bank's performance is generally strong, considering the available opportunities in the MSA. Grants and contributions are made to organizations that provide housing and

community development services or encourage community development within the MSA.

**SERVICE TEST**

Retail and alternative banking services are available in both assessment areas; no distinctions are made between the MSA and non-MSA assessment areas, in the type or level of services the bank provides. The bank's retail delivery system is readily accessible to all portions of this assessment area. Closing of branches has not adversely impacted residents of the assessment area. Business hours are reasonable and meet the needs of residents of the MSA assessment area.

**PERFORMANCE IN THE NON-MSA ASSESSMENT AREA:****DESCRIPTION OF INSTITUTION-S OPERATIONS IN THE NON-MSA ASSESSMENT AREA:**

The population for the non-MSA assessment area is 34,265, representing 12.5% of the assessment area population. The non-MSA assessment area consists of seven BNAs in Waupaca County and one BNA in Fond du Lac County. Of the eight BNAs, six are middle-income and two are upper-income. There are a total of 9,480 owner-occupied housing units, representing 13.0% of both assessment area-s owner-occupied housing units. Two branches are located in the non-MSA assessment area.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE NON-MSA:****LENDING TEST**

The bank-s internal analysis of 1996 and year-to-date real estate mortgage loans, including those referred to M&I Mortgage Corp., small business and small farm originations was utilized to evaluate the bank-s lending in this assessment area. The internal analysis was also reviewed to determine the bank-s geographic distribution of loans, the distribution of lending by borrower income characteristics, community development lending and the use of innovative and flexible lending practices.

**Lending in the Assessment Area**

The following table details the number of 1996 and year-to-date, 1997 loans made within the non-MSA assessment area:

<b>LOANS MADE WITHIN THE NON-MSA ASSESSMENT AREA 1996 AND YEAR-TO-DATE, 1997</b>		
<b>Loan Type</b>	<b>Total Number of Loans Originated in Both Assessment Areas</b>	<b>Percentage in Non-MSA</b>
Real Estate Mortgage	1,557	15.1%
Small Business	2,544	4.9%
Small Farm	1,057	25.4%

As the data illustrates, a much smaller percentage of the number of real estate mortgage, small business, and small farm loans have been made in the non-MSA assessment area, in comparison to the MSA assessment area. The higher proportion of small farm loans is

consistent with the more rural nature of this assessment area.

Borrower Characteristics

The bank's 1996 and year-to-date 1997 real estate mortgage, small business and small farm loans were analyzed to assess lending to borrowers of different income levels and businesses of different revenue sizes within the non-MSA assessment area.

The following table illustrates the distribution of real estate loans to the different income levels of individuals:

NUMBER OF LOANS TO BORROWERS OF DIFFERENT INCOME LEVELS IN THE NON-MSA ASSESSMENT AREA 1996 and year-to-date 1997								
LOAN TYPE	LOW-INCOME		MODERATE- INCOME		MIDDLE-INCOME		UPPER-INCOME	
	#	%	#	%	#	%	#	%
Real Estate Mortgages	7	3.0%	25	10.6%	76	32.3%	127	54.1%

Approximately 13.9% of families in the assessment area are low-income and 17.9% are moderate-income, based upon 1990 census data. Analysis of real estate lending indicates that 13.6% of lending is to low- and moderate-income individuals; this is considered adequate based on the demographic composition make-up of the non-MSA assessment area.

The following table illustrates the small business and small farm originations extended in the non-MSA by loan amount:

SMALL BUSINESS/SMALL FARM ORIGINATIONS BY NUMBER AND \$ AMOUNT IN THE NON-MSA ASSESSMENT AREA - 1996 AND YEAR-TO-DATE, 1997						
Loan Type	Loan Amount < \$100,000		Loan Amount > \$100,000 &< \$250,000		Loan Amount > \$250,000	
	#	\$000	#	\$000	#	\$000
Small Business Loans	140	\$3,707	20	\$3,055	2	\$1,580
Small Farm Loans	230	\$6,138	29	\$4,229	10	\$7,117
Total	370	\$9,845	49	\$7,284	12	\$8,697

This table reveals that a total of 86.4% of the small business and 85.5% of small farm originations in the non-MSA assessment area were in amounts of \$100,000 or less. This

lending is consistent with 1996 aggregate Waupaca County small business and small farm lending levels; this aggregate data indicates that 87.41% and 84.41% of the numbers of all small farm and small business loans, respectively, were for amounts less than \$100,000.

The following table details the bank's lending to small business and small farms with gross annual revenues of \$1 million or less:

<b>LOANS MADE TO SMALL BUSINESS/SMALL FARM WITH REVENUES \$1 MILLION OR LESS                      1996 AND YEAR-TO-DATE, 1997</b>		
<b>Loan Type</b>	<b>#</b>	<b>\$000</b>
Small Business	141	\$7,014
Small Farm	267	\$13,189
Total	408	\$20,203

A total of 87.0% of the small business and 99.3% of small farm loans within the non-MSA geography were extended to businesses and farms with gross annual revenues of \$1 million or less. The bank's lending exceeds the proportion of 1996 aggregate Waupaca County small business and small farm origination lending data to firms with revenues of \$1 million or less; this aggregate data indicates that 64.64% and 97.20%, respectively, of the total number of small business and small farm loans were made to firms with revenues of less than \$1 million.

Overall, the distribution of loans reflects a good penetration among individuals of different income levels and businesses and farms of different revenue sizes; bank lending to farms and businesses in amounts of \$100,000 was strong.

Community Development Lending

Opportunities for community development lending within the non-MSA assessment area are limited. The bank has no qualified community development lending in the non-MSA. As previously stated, community representatives confirmed the lack of community development lending opportunities. The bank has exhibited a responsiveness to the community development lending needs through its financing of small business and small farm operations.

Innovative or Flexible Lending Practices

The bank offers a variety of loan products and loan terms that evidence its willingness to offer flexible and innovative lending standards, as noted in the overall evaluation of the bank's performance. The bank's participation in the various programs allows the bank to

enhance its lending to small farm and small business operations, including beginning farmers, and for home purchase loans for low- and moderate-income individuals.

## **CONCLUSION**

The bank's lending performance in the non-MSA assessment area is considered generally strong. The bank is responsive to the credit needs within this assessment area. The geographic distribution of loans reflects a reasonable penetration within this assessment area. In addition, the distribution of loans to customers of different income levels and businesses of different sizes is generally strong. Bank lending to businesses and farms in amounts of \$100,000 or less is strong.

## **INVESTMENT TEST**

The bank's investment portfolio, grants and donations that contribute to local community development efforts were reviewed. Qualified investments were also reviewed for innovativeness and responsiveness to the community development needs within the non-MSA assessment area. Interviews with bank management and community representatives revealed that there are limited community development investment opportunities within the non-MSA assessment area; the assessment area contains no low- or moderate-income geographies.

### **Degree to Which Investments are not Provided by Private Investors**

No qualified investments were made in the time period since January 1, 1996. Despite the limited number of qualified investments, the bank made a limited number of grants within this assessment area; these grants are described in the overall assessment of the bank's performance.

### **Responsiveness to Available Opportunities**

The bank's limited number of qualified investments reflects the limited numbers of opportunities available in the assessment area. A review of the bank's overall lending performance, and discussions with bank management and community representatives indicate that the bank is responsive to the community development needs of the assessment area; the bank's responsiveness is most evident in the bank's lending to small farming and small business owners.

## **CONCLUSION**

The bank's performance is acceptable, considering the limited availability of community development investment opportunities in this assessment area. Grants and contributions are made to organizations that provide community development services or encourage community development within the assessment area.

**SERVICE TEST**

Retail and alternative banking services are available in both assessment areas; no distinctions are made between the MSA and non-MSA assessment areas in the type or level of services the bank provides. The bank's retail delivery system is readily accessible to all portions of the assessment area. Closing of branches has not significantly impacted any low- and moderate-income individuals. Business hours are reasonable and meet the needs of residents of this assessment area.