

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 South, Janesville, Wisconsin**, prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **December 22, 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 lending performance is strong based on its loan-to-deposit ratio, a significant amount of lending activity within its assessment area and a reasonable distribution of lending within its assessment area, including low- and moderate-income geographies. In addition, the bank has an adequate level of qualified community development lending. The bank has loan products and lending practices that are considered innovative and flexible, which are designed to assist low- and moderate-income borrowers.

The bank's participation in qualified investments and level of donations given for community development are acceptable. Review of the economic conditions of the bank's assessment area and discussions with community representatives revealed that the bank is involved in the limited number of available community development investment opportunities in its assessment area.

Banking services are provided to all segments of the bank's assessment area. These services are provided through several different channels, ranging from its branches to various electronic manners to conduct different transactions. Furthermore, the bank officers and staff provide technical assistance and are involved in many community development organizations in its assessment area.

The following table indicates the performance level of **M&I Bank South, Janesville, 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 SOUTH		
	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X	X	X
Low Satisfactory			
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 - SOUTH ASSESSMENT AREA

Janesville is located in south central Wisconsin, approximately 40 miles southeast of Madison and 80 miles southwest of Milwaukee. The main bank is located in downtown Janesville; the bank has offices in Dane, Jefferson, Rock and Walworth Counties. The bank's assessment area is comprised of three separate areas; the entire Janesville-Beloit Metropolitan Statistical Area (MSA) 3620 in Rock County, the southeastern portion of the Madison MSA 4720 in Dane County, and a non-metropolitan area including all of Walworth and the southwestern portion of Jefferson Counties. The largest communities within the assessment area include Janesville, Beloit, Lake Geneva, Delavan, Edgerton, Evansville and Cambridge. There are a total of 39 census tracts and 19 block numbering areas (BNAs) in the bank's assessment area. One census tract (1.7%) is designated as low-income, seven (12.1%) are moderate-income, 34 (58.6%) are middle-income, and 16 (27.6%) are upper-income within the assessment area, based upon 1990 census data. The following charts detail each assessment area's census tracts and BNAs:

MSA 3620 JANESVILLE-BELOIT

COUNTY	CENSUS TRACT
Rock	1.00*, 2.00, 3.00**, 4.00**, 5.00, 6.00, 7.00, 8.00, 9.00, 10.00, 11.00, 12.00, 13.00, 14.00, 15.00, 16.00**, 17.00, 18.00**, 19.00, 20.00, 21.00, 22.00, 23.00**, 24.00, 25.00, 26.01, 26.02, 27.00, 28.00, 29.00, 30.00, 31.00, 32.00, 33.00

*Low-income **Moderate-income

MSA 4720 MADISON

COUNTY	CENSUS TRACT
Dane	119.00, 120.00, 121.00**, 122.00, 123.00**

**Moderate-income

NON-METROPOLITAN ASSESSMENT AREA

COUNTY	CENSUS TRACT/BNA
Jefferson	9905.00, 9906.00, 9912.00, 9913.00, 9914.00
Walworth	1.00, 2.00, 3.00, 4.00, 5.00, 6.00, 7.00, 8.00, 9.00, 10.00, 15.00, 16.01, 16.02, 17.00

The following charts depict population and income information for the three assessment

areas compared with State of Wisconsin demographic data.

SELECTED INCOME CHARACTERISTICS - COMPARISONS BASED UPON 1990 CENSUS DATA									
AREA/ Population	Median Family Income	Low-Income Families		Moderate- Income Families		Middle- Income Families		Upper-Income Families	
		#	%	#	%	#	%	#	%
Overall Assessment Area / 258,482	36,080	10,836	15.7	12,369	17.9	17,926	26.0	27,912	40.4
MSA 3620 / 139,510	35,605	6,884	18.2	6,976	18.5	10,031	26.6	13,876	36.7
MSA 4720 / 25,296	37,847	1,278	18.2	1,574	22.5	2,203	31.5	1,948	27.8
Non-metropolitan Area / 93,676	36,248	2,674	11.0	3,819	15.7	5,692	23.5	12,088	49.8
State of Wisconsin / 1,284,297	35,082	230,129	17.9	240,790	18.7	339,926	26.5	473,452	36.9

The overall assessment area median family income of \$36,080 is consistent with State of Wisconsin income levels and the income levels of each assessment area.

Housing in the assessment areas consists primarily of owner-occupied, single-family units. The following chart details assessment area housing information:

SELECTED HOUSING CHARACTERISTICS COMPARISONS BASED UPON 1990 CENSUS DATA										
HOUSING DATA	OVERALL ASSESSMENT AREA		MSA 3620		MSA 4720		NON-METRO-POLITAN		STATE OF WISCONSIN	
	#	%	#	%	#	%	#	%	#	%
Owner-Occupied Units	65,965	60.4	35,611	64.9	6,639	70.4	23,715	52.8	1,215,324	59.1
Total Rental Units	29,915	27.4	16,641	30.4	2,301	24.4	10,973	24.4	606,794	29.5
Vacant Units	13,339	12.2	2,588	4.7	495	5.2	10,256	22.8	233,656	11.4

SELECTED HOUSING CHARACTERISTICS COMPARISONS BASED UPON 1990 CENSUS DATA										
HOUSING DATA	OVERALL ASSESSMENT AREA		MSA 3620		MSA 4720		NON-METROPOLITAN		STATE OF WISCONSIN	
Total Housing Units	109,219	100.0	54,840	100.0	9,435	100.0	44,944	100.0	2,055,774	100.0
Median Housing Value	\$58,564		\$52,458		\$68,149		\$66,844		\$62,141	
Median Gross Monthly Rent	\$396		\$387		\$426		\$409		\$399	
Age - % Built Pre-1959	38.8%		39.3%		36.7%		38.7%		36.8%	

The assessment area's overall owner-occupancy rate (61.7%) exceeds that of the non-metropolitan portion of the assessment area (52.8%) and the State of Wisconsin rate (59.1%), while it is less than both MSA 3620 (64.9%) and MSA 4720 (70.4%) owner-occupancy rates.

The assessment area's single-family housing percentage of 75.2% exceeds that of MSA 3620 and the State of Wisconsin of 67.7% and 74.0%, respectively. However, the single-family housing percentage is less than that of the MSA 4720 and non-metropolitan portions of the assessment area of 80.2% and 75.7%, respectively.

The following chart depicts some of the assessment area's major employers:

MAJOR EMPLOYERS IN ASSESSMENT AREA		
Name	Product/Service	# Of Employees
General Motors Truck Group, Janesville Assembly	Light and medium duty trucks	5,500
Robshel Enterprises Inc.	Meat processing	3,150
Beloit Corp., Paper Machine Div.	Paper making machinery and industrial casings	2,000
SSI Technologies, Inc.	Controls sensors and powdered metal products	1,000
Lear Corp.	Automotive seats	750
Ohmeda, Medical Systems Div.	Anesthesia monitors and devices	720
Fairbanks Morse Engine	Diesel engines	700

MAJOR EMPLOYERS IN ASSESSMENT AREA		
Name	Product/Service	# Of Employees
Madison-Kipp Corp.	Aluminum and zinc die casting precision machining and assembly	600
Madison Newspaper, Inc.	Newspaper printing	600
Reynolds Wheels International	Aluminum wheel rims	581
Parker Pen U.S.A. LTD.	Pencils and pens	520

Recent seasonally-adjusted unemployment rates for the assessment areas and the State of Wisconsin reflect a strong local and statewide economy; the rates are detailed in the following chart, according to Wisconsin Labor Market information:

COMPARISON OF ASSESSMENT AREA UNEMPLOYMENT RATES		
Counties (MSA)	1997	1996
Dane County (MSA 4720)	1.4%	1.7%
Jefferson County	2.6%	2.6%
Rock County (MSA 3620)	3.1%	3.8%
Walworth County	2.3%	2.6%
State of Wisconsin	3.0%	3.5%

DESCRIPTION OF INSTITUTION

M&I Bank South, with total assets of \$678.9 million as of December 31, 1997, is a subsidiary of Marshall & Ilsley Corporation, a multi-bank holding company located in Milwaukee, Wisconsin.

The bank has a total of 13 locations; nine offices are located in Rock County, one is in Dane County and three are in Walworth County. All branches have automated teller machines (ATMs) and nine have drive-through teller services. The bank also has four off-site ATMs. Consumers may apply for consumer credit products at all of the bank's branches. One branch is located in a low-income geography and the remaining branches are in middle- and upper-income geographies.

Competition within the bank's assessment area is extensive and comes from large regional institutions as well as a number of smaller local institutions. The largest institutions competing with the bank in this market include Bank One, Wisconsin (a branch of Milwaukee) in Janesville; Johnson Bank, N.A., Janesville; Firststar Bank Wisconsin (a branch of Madison) in Janesville; Blackhawk State Bank, Beloit; The First National Bank and Trust Company of Beloit, Beloit; and Cambridge State Bank, Cambridge.

Consumer loan products offered by the bank include installment, single payment, and student loans, as well as home equity and personal lines of credit. Consumer real estate loans include fixed rate mortgages, adjustable rate mortgages (ARM), and variable-rate construction loans. Non-consumer loan products include commercial and industrial secured and unsecured loans, lines of credit, construction loans, business leases, farm credit products and commercial mortgages. The bank also offers government-assisted loans through the Small Business Administration (SBA) and the Wisconsin Housing and Economic Development

Authority (WHEDA). There are no factors relative to the bank's financial condition, size, or local economic conditions which would prevent the bank from meeting the community's credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The bank's loan portfolio and loan originations were 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 95.9%. The distribution, by loan type, is as follows:

M&I BANK SOUTH LOAN DISTRIBUTION		
LOAN TYPE	DOLLAR AMOUNT OUTSTANDING (000's)	PERCENT OF TOTAL LOANS
REAL ESTATE		
Construction		
Residential (1-4)	9,218	1.90
Commercial	161,009	33.27
Multi-family	89,780	18.55
Farmland	9,669	2.00
CONSUMER	50,135	10.36
Open-end Credit		
All Other	6,850	1.42
COMMERCIAL AND INDUSTRIAL	24,025	4.96
INDUSTRIAL	93,688	19.36
AGRICULTURAL	36,831	7.61
STATE AND POLITICAL OBLIGATIONS	1,812	0.37
OTHER	967	0.20

A review of the loan portfolio reveals the bank is primarily a commercial and industrial lender; these loans comprise 37.91% of the portfolio, followed by 1-4 family residential real estate and agricultural lending which comprise 33.27% and 17.97%, respectively, of the bank's loan portfolio.

According to the Uniform Bank Performance Report (UBPR), dated September 30, 1997, the bank's loan distribution and loan-to-deposit ratio compared to peer is illustrated in the following charts:

M&I BANK SOUTH LOAN DISTRIBUTION IN COMPARISON TO PEER LEVELS		
LOAN TYPE	BANK AVERAGE LOAN MIX (%)	PEER AVERAGE LOAN MIX (%)
REAL ESTATE LOANS		
Construction/Development	1.56	3.60
1 - 4 Family Residential	30.93	28.85
Home Equity	3.93	2.73
Other Real Estate	31.14	23.22
Farmland	10.62	0.46
Multi-family	1.88	1.43
Commercial	18.65	19.52
TOTAL REAL ESTATE LOANS	63.63	60.09
LOANS TO INDIVIDUALS	7.73	14.39
CREDIT CARD LOANS	1.74	0.80
COMMERCIAL AND INDUSTRIAL LOANS	20.64	16.20
AGRICULTURAL LOANS	7.34	0.39
MUNICIPAL LOANS	0.37	0.47
OTHER LOANS*	0.30	0.38
*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 the lending portfolio of its peer banks, as the chart illustrates.

M&I BANK SOUTH LOAN TO DEPOSIT RATIO IN COMPARISON TO PEER LEVELS	
Bank Net Loan/Lease to Deposit Ratio	Peer Net Loan/Lease to Deposit Ratio
94.19%	77.88%

The bank's average loan-to-deposit ratio for the eight quarters ending December 31, 1997, was 89.49%. Eight quarter loan-to-deposit ratios for the bank and a sample of its local competitors are illustrated in the following chart:

COMPARISONS OF LOAN TO DEPOSIT RATIOS FOR M&I BANK SOUTH AND SELECTED COMPETITORS		
Institution	Asset Size (000's)	Loan-to-deposit ratios %
M&I Bank South	\$678,907	89.49
Johnson Bank, N.A.	\$153,181	75.03
Bank One, Wisconsin	\$9,080,380	129.38
Firststar Bank Wisconsin	\$7,382,605	88.21
Blackhawk State Bank	\$153,129	86.99
The First National Bank and Trust Company of Beloit	\$242,764	76.20
Cambridge State Bank	\$38,872	84.70

The bank's loan to deposit ratio when compared to its peers and local competitors is considered strong.

Lending in Assessment Area

The bank's analysis of small business, small farm and HMDA-reportable lending for 1996 and year-to-date 1997, including loans referred to M&I Mortgage Corp. (M&IMC) were reviewed to evaluate the bank's lending within its assessment area. There were 2,093 and 1,372 small business and small farm loan originations in 1996 and 1997, respectively. There were 1,064 and 700 originations, respectively, reportable under HMDA for 1996 and 1997. The mortgage affiliate HMDA-reportable activity is included in the bank's performance because bank lenders act as agents of the affiliate, rather than customary referrals of applicants to employees of the affiliated mortgage company. The following chart illustrates the percentages of the bank's small business, small farm and HMDA-reportable mortgage lending within its assessment area:

1996 AND 1997 SMALL BUSINESS AND SMALL FARM LOANS IN ASSESSMENT AREA NUMBER, DOLLAR AND PERCENTAGE OF ORIGINATIONS				
Loan Type/Year	#	%	\$	%
1996				
Small Business	1,019	85.63	115,402	83.24
Small Farm	664	73.53	39,583	71.68
HMDA-reportable	963	90.51	n/a	n/a
Total 1996	2,646	83.81	154,985	79.94
1997				
Small Business	642	88.43	86,325	85.93
Small Farm	469	72.60	31,479	72.09
HMDA-reportable	628	89.71	n/a	n/a
Total	1,739	83.93	117,804	81.74

The relatively lower levels of small farm lending within the assessment area is consistent with the trend of growth in the size of midwestern farming operations; thus, certain expanding farm operations may cover a larger geographic area. Funds lent to one farming operation outside of the bank's assessment area may still be of benefit to the bank's assessment area.

Geographic Distribution

The bank has 39 census tracts and 19 BNAs within its assessment area, of which one and seven are low- and moderate-income geographies, respectively.

Small Business/Farm Lending

The bank has small business or small farm lending activity in 57 (98.3%) of 58 geographies for both 1996 and 1997. The following charts illustrate the bank's small business and small farm lending in its 3 assessment areas by the income level of the geography:

1996 SMALL BUSINESS/FARM LENDING ORIGINATIONS BY GEOGRAPHIC CLASSIFICATION									
Geography Income Level	MSA 3620			MSA 4720			Non-Metropolitan		
	Number	Dollar Amount		Number	Dollar Amount		Number	Dollar Amount	
		\$(000)	%		\$(000)	%		\$(000)	%
Low- (< 50%)	23	1,335	1.2	n/a	n/a	n/a	n/a	n/a	n/a
Moderate- (50%-80%)	75	7,708	7.0	73	5,323	29.6	n/a	n/a	n/a
Middle- (80%-120%)	641	56,980	51.5	230	12,681	70.4	173	11,248	42.6
Upper- (> 120%)	301	44,546	40.3	n/a	n/a	n/a	167	15,164	57.4
Total Originations by Geography	1,040	110,569	100.0	303	18,004	100.0	340	26,412	100.0

1997 SMALL BUSINESS/FARM LENDING ORIGINATIONS BY GEOGRAPHIC CLASSIFICATION									
Geography Income Level	MSA - 3620			MSA - 4720			Non-Metropolitan		
	Number	Dollar Amount		Number	Dollar Amount		Number	Dollar Amount	
		\$(000)	%		\$(000)	%		\$(000)	%
Low- (< 50%)	29	4,064	5.0	n/a	n/a	n/a	n/a	n/a	n/a
Moderate- (50%-80%)	57	5,559	6.8	49	6,677	41.0	n/a	n/a	n/a
Middle- (80%-120%)	397	38,031	46.8	127	9,611	59.0	117	8,641	42.7
Upper (> 120%)	222	33,613	41.4	n/a	n/a	n/a	113	11,608	57.3
Total Originations by Geography	705	81,267	100.0	176	16,288	100.0	230	20,249	100.0

Further analysis reveals that there is lending activity in all of the low-, moderate-, and middle-income census tracts in the assessment area; 15 of 16 upper-income census tracts have 1996 and 1997 lending activity. Additional analysis demonstrates that for 1996 and 1997 small business lending, approximately 10.2% and 12.2%, respectively, of the bank's originations were in low- or moderate-income census tracts.

Mortgage Lending

The following chart details the bank's analysis of HMDA-reportable lending for 1996 and

year-to-date 1997, including loans referred to M&IMC, by the income level of geography:

ORIGINATIONS FOR M&I BANK SOUTH AND M&IMC IN ASSESSMENT AREA BY GEOGRAPHIC CLASSIFICATION					
Geography Income Level	# of Owner-occupied housing units	1996		1997(thru 9/30 97)	
		# of originations*	% of total	# of originations*	% of total
Low-(< 50%)	76	1	0.1	1	0.2
Moderate-(50%-80%)	5,497	87	9.0	50	8.0
Middle-(80%-120%)	39,915	598	62.1	383	61.0
Upper- (> 120%)	20,477	277	28.8	193	30.8
Total	65,965	963	100.0	627	100.0

*Does not include loans or census tracts where income information was unavailable; multi-family and WHEDA loans are not included.

The percentage of the total number of owner-occupied housing units within low- and moderate-income tracts in the assessment area is 8.5%; this limits the opportunities for the bank to originate mortgage loans in these tracts. Overall, bank mortgage lending within low- and moderate-income geographies is considered generally strong.

The following chart illustrates the bank's HMDA-reportable lending for 1996 and year-to-date 1997, including loans referred to M&IMC, by the income level of geography within both MSA assessment areas:

1996 M&I BANK SOUTH AND M&IMC HMDA-REPORTABLE LOANS				
MSA/County	Low-Income		Moderate-Income	
	#	\$ (000)	#	\$ (000)
4720 Dane County	0	0	19	830
3620 Rock County	1	90	68	2,330
Totals	1	90	87	3,160

Approximately 0.10% of 1996 HMDA-reportable originations (1 of 963 total originations) in the Madison and Janesville-Beloit MSAs were in the sole low-income census tract; 9.03% of total originations (87 of 963) in the Madison and Janesville-Beloit MSAs were within moderate-income census tracts.

Approximately 0.16% of 1997 HMDA-reportable originations (1 of 627 total originations) in the Janesville-Beloit and Madison MSAs were in the sole low-income census tract; 7.97% of total 1997 originations (50 of 627) were within moderate-income census tracts.

The relatively low level of lending in moderate-income census tracts within the Madison MSA is consistent with the small number of moderate-income tracts in the assessment area.

Further analysis of 1996 and 1997 HMDA-reportable lending data revealed lending activity in 52 of 58 and 47 of 58 geographies, respectively. There was lending activity in the sole low-income and in six of seven moderate-income census tracts within the assessment area.

Approximately 9.14% and 8.13% of 1996 and 1997 HMDA-reportable lending, respectively, was within low- or moderate-income census tracts.

The geographic distribution of the bank's lending is considered strong based on the demographic characteristics and the income level of geographies within the assessment area. The small business lending in low- and moderate-income census tracts is reasonable due to the low number of businesses in the low- and moderate-income geographies, based upon discussions with management. The bank's 1996 and 1997 HMDA-reportable lending is also considered reasonable, due to the combined, low percentages of owner-occupied properties in low- and moderate-income census tracts. This rate limits the opportunities to originate mortgage loans; nevertheless, the bank has lending activity in seven of eight low- and moderate-income census tracts within its assessment area.

Borrower Characteristics

The bank's analysis of 1996 and year-to-date 1997 small business, small farm and HMDA-reportable lending data was reviewed to assess the bank's lending to businesses of different revenue sizes and borrowers of different income levels.

Small Business/Farm Lending

The bank had a total of 1,683 and 1,111 small business and small farm originations in 1996 and year-to-date 1997, respectively, within its assessment area. Of these, 1,483 (88.1%) and 930 (83.7%), respectively, were loans to those businesses or farms having less than \$1 million in revenues. Of these businesses and farms with less than \$1 million in revenues, 316 small farm and 544 small business originations were in MSA 3620, Rock County; in addition, 111 small business and 173 small farm originations were in MSA 4720, Dane County.

A total of 1,297 loans (77.06%) of the total number of 1996 small business and small farm loans were extended for amounts of \$100,000 or less. Of these loans extended for amounts

of \$100,000 or less, 263 small farm and 485 small business originations were in MSA 3620, Rock County; in addition, 107 small business and 153 small farm originations were in MSA 4720, Dane County. A total of 71.74% of all 1997 small business and small farm loans sampled were extended for amounts of \$100,000 or less.

The bank's lending to small businesses and farms is considered strong.

Mortgage Lending

The following chart illustrates the bank's HMDA-reportable lending for 1996 and year-to-date 1997, including loans referred to M&IMC, by the income level of the borrower:

ORIGINATIONS FOR M&I BANK SOUTH AND M&IMC IN ASSESSMENT AREA*						
Applicant Income	1996		1997(thru 9/30/97)		Overall	
	#	\$	#	\$	#	%
Low- (< 50%)	44	4.6%	43	6.9%	87	5.5%
Moderate- (50%-80%)	143	14.9%	112	17.9%	255	16.1%
Middle- (80%-120%)	268	27.9%	180	28.8%	448	28.3%
Upper- (> 120%)	504	52.6%	290	46.4%	794	50.1%
Total	959	100.0%	625	100.0%	1584	100.0%

*Includes only those originations for which income information was available.

As the preceding table illustrates, the bank's overall lending to low- or moderate-income individuals is 5.5% and 16.1%, respectively. This activity is generally consistent with the percentage of low- and moderate-income families in the assessment area of 33.6% of the total families based upon 1990 census data. While the number of originations may appear to be low, 1997 lending indicates an increase in the levels of mortgage lending to low- and moderate-income individuals.

In addition, the bank provides innovative products and has flexible lending standards designed to meet the credit needs of low- and moderate-income individuals. The bank participates in the M&I Neighborhood Home Loan Program (NHLP). This program allows an applicant to access several types of loans, including long-term fixed rate, adjustable rate, and balloon mortgages. These mortgages have a maximum loan-to-value ratio of 97%, and are available for single and multi-family residences. The bank also participates in a program administered by Neighborhood Housing Services (NHS). This program also provides mortgages for low- and moderate-income individuals. The following chart illustrates the

bank's lending activity in these programs in 1996 and year-to-date 1997:

1996 AND 1997 M&I BANK SOUTH NHLP AND NHS LENDING				
NHLP and NHS Activity	1996		1997	
	Originations	\$ Amount	Originations	\$ Amount
NHLP	24	1,071,930	48	3,225,764
NHS	21	n/a*	5	n/a*
Total	45	n/a*	53	n/a*

*Information not available

Bank management explained the large decline in NHS lending from 1996 to 1997 is due to the large increase in NHLP lending from 1996 to 1997. Both loan programs serve low- and moderate-income individuals in the assessment area; lending officers prefer to serve these individuals through the M&I program rather than the NHS program.

The bank has two home equity line of credit (HELC) products targeted to low- and moderate-income individuals. The first product is a 100% loan-to-value HELC. With this product a borrower can access this line at the time of closing for minor repairs associated with purchasing a home, or obtain additional money for closing costs or to increase the down payment. The second product is similar to a conventional HELC. A feature has been added that allows a consumer to convert all or a portion of the line to a fixed rate installment loan for up to a term of five years. This option is unique, in that it can be exercised multiple times on a single line of credit.

Community Development Lending

Discussions with bank management and interviews conducted with community representatives, along with a review of the demographic data of the assessment area, determined that there are limited opportunities for the bank to participate in qualified community development loans. Since the previous examination, the bank has made four qualified community development loans, for a total of \$224,938. Three of these loans were for low- and moderate-income housing, and one was for a social services organization.

CONCLUSION

The bank's overall lending performance is considered *highly satisfactory*. The bank's loan-to-deposit ratio is strong, in comparison to its peers and local competitors. A large majority of the bank's lending activity is within its assessment area. The geographic distribution of

lending within the assessment area, and lending to businesses of different sizes and borrowers with different incomes is strong in comparison to the demographic characteristics of the area. The bank's community development lending and investments are considered generally strong, based on the number of available opportunities and the level of the bank's participation. Discussions with community representatives substantiate this fact by stating that the bank meets the credit needs of the communities they serve. The bank also participates in loan programs with flexible lending guidelines that focus on the needs of low- and moderate-income borrowers.

INVESTMENT TEST

The bank's investment portfolio and programs that promote community development were reviewed. Investments were also reviewed for innovation and responsiveness to the community development needs of the bank's assessment area, and the degree to which investments are not provided by private investors. There was no qualified investment activity in the bank's investment portfolio. There are few qualified investment opportunities within the bank's assessment area, as noted in interviews with bank management and community representatives.

Degree to Which Investments Are Not Provided by Private Investors

The bank provides an adequate level of investments in the form of donations, which support the community organizations in the bank's assessment area. The bank has made a number of donations totaling \$50,658 in 1996 and \$104,054 in 1997. However, the bank's qualified donations totaled \$17,539 and \$33,395 for 1996 and 1997, respectively. Qualified donations include those for projects involving housing and neighborhood development activities, economic and small business development, community facilities improvements, and community-based education. The donations to the community organizations were primarily for operating expenses. The community groups assisted were economic development or general health and human development organizations, such as Forward Janesville, Action Council, Cambridge Chamber of Commerce, Greenvale Apartment Residence Assistance, Beloit Economic Development Council and Committee and Janesville Home Buyers Workshop. In addition, the bank donated a house to Neighborhood Housing Services (NHS) with a value of \$29,500.

Responsiveness to Available Opportunities

The current level of investment by the bank reflects the limited available opportunities for the bank. Discussions with bank management and community representatives and a review

of the bank's overall investment performance including grant activity, suggest that the bank is responsive to the community development needs of the community.

CONCLUSION

The bank's performance under the investment test is considered generally strong. The bank has an adequate level of investment based upon the available opportunities in the assessment area. Community representative interviews indicated that there are few opportunities for local financial institutions to participate in qualified investments.

SERVICE TEST

The bank's system for delivering retail banking and community development services was reviewed for range and accessibility, innovation 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. Discussions with bank management and community representatives revealed that the opportunities for the bank to be involved in qualified community development services is low, due to the demographic characteristics of the bank's assessment area, with few low- or moderate-income geographies.

Retail Banking Services

M&I Bank South is a full-service bank with 13 branches and 17 ATMs located within its assessment area. In addition, there are in excess of 200 ATMs within the state of Wisconsin that are operated by M&I affiliates; M&I Bank South customers can use these without service charges. The bank provides loans to consumers, organizations, businesses, and government entities in accordance with uniform nondiscriminatory standards.

Distribution of Branches Among Geographies

The following chart illustrates the bank's branch and drive-up facility locations, the income levels of communities in which they are located, as well as the days and hours of service:

BRANCH LOCATION	COUNTY	CENSUS TRACT	HOURS OF OPERATION		
Beloit Downtown 500 E Grand Ave.	Rock	15.00	Lobby:	8:30am - 5:00pm 8:30am - 6:00pm	Monday - Thursday Friday

BRANCH LOCATION	COUNTY	CENSUS TRACT	HOURS OF OPERATION		
Beloit			Drive-Up:	8:00am - 5:00pm 8:00am - 6:00pm 9:00am - 12:00pm	Monday - Thursday Friday Saturday
Beloit Prairie Avenue 2850 Prairie Ave. Beloit	Rock	24.00	Lobby: Drive-Up:	9:00am - 5:00pm 9:00am - 6:00pm 9:00am - 12:00pm 8:30am - 5:00pm 8:30am - 6:00pm 9:00am - 12:00pm	Monday - Thursday Friday Saturday Monday - Thursday Friday Saturday
Beloit Superm Market Branch 1805 Prairie Ave. Beloit	Rock	26.01	Lobby:	9:00am - 7:00pm 9:00am - 6:30pm 8:30am - 12:00pm	Monday - Thursday Friday Saturday
Cambridge 102 W. Main St. Cambridge	Dane	119.00	Lobby: Drive-Up: Walk-Up	9:00am - 5:00pm 8:00am - 6:00pm 8:00am - 12:00pm	Monday - Friday Monday - Friday Saturday
Delevan 104 N5th Street Cambridge	Walworth	7.00	Lobby: Drive-Up:	9:00am - 5:00pm 9:00am - 6:00pm 9:00am - 12:00pm 8:30am - 5:00pm 8:30am - 6:00pm 8:30am - 12:00pm	Monday - Thursday Friday Saturday Monday - Thursday Friday Saturday
Edgerton 1015 N Main St. Edgerton	Rock	30.00	Lobby: Drive-Up:	9:00am - 4:30pm 9:00am - 6:00pm 8:30am - 5:30pm 8:30am - 6:00pm 9:00am - 12:00pm	Monday - Thursday Friday Monday - Thursday Friday Saturday
Evansville 25 N Madison St. Evansville	Rock	29.00	Lobby: Drive-Up:	9:00am - 5:00pm 9:00am - 5:30pm By Appointment 8:00am - 6:00pm 8:00am - 12:00pm	Monday - Thursday Friday Saturday Monday - Friday Saturday
Janesville Ctreston Park 1404 Creston Park Dr. Janesville	Rock	7.00	Lobby: Drive-Up:	9:00am - 4:30pm 9:00am - 6:00pm 9:00am - 12:00pm 7:30am - 5:30pm 7:30am - 7:00pm 9:00am - 12:00pm	Monday - Thursday Friday Saturday Monday - Thursday Friday Saturday
Janesville Main* Office 100 N Main St. Janesville	Rock	1.00	Lobby: Drive-Up:	9:00am - 4:30pm 9:00am - 5:30pm 8:30am - 5:30pm 8:30am - 6:00pm	Monday - Thursday Friday Monday - Thursday Friday

BRANCH LOCATION	COUNTY	CENSUS TRACT	HOURS OF OPERATION		
Janesville Mall 2500 Milton Ave. Janesville	Rock	7.00	Lobby:	9:30am - 6:00pm 9:30am - 7:00pm 9:30am - 3:00pm	Monday - Thursday Friday Saturday
Janesville Southside 2608 Center Ave. Janesville	Rock	14.00	Lobby: Drive-Up:	9:00am - 4:30pm 9:00am - 6:00pm 8:30am - 5:30pm 8:30am - 6:00pm 9:00am - 12:00pm	Monday - Thursday Friday Monday - Thursday Friday Saturday
Lake Geneva Supermarket Branch 200 Edwards Blvd. Lake Geneva	Walworth	16.02	Lobby:	10:00am - 7:00pm 9:00am - 4:00pm 9:00am - 6:00pm	Monday - Thursday Friday Saturday
Sharon 114 Plain St. Sharon	Walworth	6.00	Lobby:	9:00am - 5:00pm 9:00am - 6:00pm 8:30am - 12:00pm	Monday - Thursday Friday Saturday

*Located in a low-income census tract

Discussions with bank management revealed that branches are dispersed within the assessment area based on concentrations of population and heavy traffic patterns.

Record of Opening and Closing Offices

The bank has closed two branch locations since the previous examination, of which one was located in a moderate-income census tract. Discussions with management indicated that the branches were closed after the bank conducted extensive traffic studies at branches. These studies indicated that nearby branch locations were capable of servicing the customers of the branches that were closed. Additionally, the bank relocated one of the offices to provide easier access for customers.

Alternative Systems for Delivering Retail Banking Services

In an effort to make banking services accessible to all individuals in the assessment area the bank has several options for accessing its services. In addition to the 13 branch offices and 15 ATMs, banking services can be accessed through several electronic methods. Individuals can open accounts, apply for a loan, pay bills, make balance transfers, among other activities through the bank's Internet Banking Program, the telephone banking option and the bank by mail program.

Community Development Services

The bank provides community development services and support for numerous organizations throughout its assessment area, utilizing bank staff members' involvement in these organizations. The bank's commercial loan officers provide their expertise to the community development organizations in the assessment area. The following are several examples of bank involvement in community development service activities:

- C Forward Janesville is an organization that is devoted to business growth and development through attraction and expansion, and provides educational services for the citizens of Janesville. Several of the bank's officers and staff members provide technical assistance and financial expertise to this organization.
- C Beloit Economic Development Committee assists the Town of Beloit in determining plans to further develop the community. A bank officer is a member of the committee and provides financial expertise to the committee.
- C Beloit Economic Development Corporation's and Downtown Beloit Association's primary goals are to retain local business and attract new business to the area for the purpose of job creation. Bank officers provide financial expertise to these organizations.
- C Neighborhood Housing Service (NHS) focuses on providing housing for low- and moderate-income families. A bank mortgage lending officer is very involved, providing technical assistance and financial expertise to NHS. The bank officer also participates in various home buying seminars facilitated by NHS.
- C Action Council and Community Action address various issues in the community impacting low- and moderate-income individuals, including homelessness, tutoring programs and other general social services. A bank staff member provides expertise related to fund raising for this organization.
- C Janesville Home Buyers Workshops are administered by four area banks. The workshops educate borrowers about the risks, rewards and responsibilities of home ownership. Also, information pertaining to down payment assistance programs and lending programs is provided. These workshops are targeted to low- and moderate-income individuals. The bank's senior mortgage lender and all originators participate on a rotating basis.

Bank staff members participate in many other organizations that focus on the development,

attraction, and retention of businesses in the area, for the primary purpose of job creation and retention. Many of the businesses involved with these organizations are small businesses. The officers and staff members of the bank are involved in many other community organizations that have as their primary purpose the improvement of the social services in the assessment area. The social services include educational issues, health services, single parent family services, youth programs, and many other general civic organizations. Discussion with management indicated that bank employees are encouraged to participate in local community organizations and understand the importance of their work. All employees are allowed to attend community group meetings during work hours. However, many of the meetings occur after work hours; thus, bank employees do attend meetings on their own personal time.

CONCLUSION

The bank's performance under the service test is considered *satisfactory*. The bank's delivery systems, including branches and electronic delivery systems, are easily accessible to all geographies within the assessment area. The bank has one branch located in a low-income census tract and in areas accessible to all portions of the assessment area. In addition, the bank provides a commendable level of community development services for all segments of the assessment area, which demonstrates the bank's attentiveness to the community development needs of the community. The bank officers and staff provide technical expertise and are otherwise involved in many community development organizations.

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. Management has developed and implemented policies and procedures supporting nondiscrimination in lending. Bank lending standards are in compliance with the regulations and applied in a consistent manner. A significant portion of loan underwriting has been centralized. A review of bank underwriting conducted concurrent with this examination, supplemented an earlier review of centralized loan underwriting functions. The credit applications reviewed during this examinations represented a sample of applications for which the credit decision was made by bank lending personnel.