



PUBLIC DISCLOSURE

August 25, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The American National Bank of Beaver Dam
Charter Number 4602

115 Front Street
Beaver Dam, WI 53916

Office of the Comptroller of the Currency

High Pointe on Mayfair
1200 North Mayfair Road
Suite 200
Wauwatosa, WI 53226-3282

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**.

The Lending Test is rated Satisfactory.

The major factors supporting the institution's rating include:

- The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and credit needs of the assessment areas.
- A substantial majority of loan originations are made within the bank's assessment areas (AAs).
- The borrower distribution of home mortgage and commercial loans reflects reasonable penetration among borrowers of different incomes and revenue levels.
- The geographic distribution of home mortgage and commercial loans reflects reasonable dispersion among geographies in the bank's AAs.

Scope of Examination

We evaluated the American National Bank of Beaver Dam's (ANB Beaver Dam) Community Reinvestment Act (CRA) performance under the Small Bank Lending and Community Development Tests. In evaluating the bank's lending performance, we reviewed data for the bank's primary loan products, which are residential real estate loans and commercial loans.

The evaluation period covers the period since the date of the previous CRA exam, November 9, 2009, through August 25, 2016. The Lending Test evaluated loans originated between January 1, 2014 and June 30, 2016.

We selected a sample of residential mortgage loans and commercial loans from bank generated reports in order to assess the bank's lending performance.

The analysis of the Lending Test was performed using the most recent available demographic data. Conclusions were based on residential real estate and commercial loan performance in the bank's assessment areas. Conclusions were based on analysis of residential real estate and commercial loans because these products represent the majority of the bank's lending activities by volume of loans.

DESCRIPTION OF INSTITUTION

ANB Beaver Dam is a \$119 million bank with its main office located in Beaver Dam, Wisconsin, a middle income census tract (CT). The bank is wholly owned by Ambanc Financial Services, Inc., a two bank holding company. The bank's full service locations

consist of a main branch and two other branches located in Beaver Dam, WI, along with a branch in Helenville, WI. There is a Loan Production Office (LPO) in Delavan, WI and a LPO/Wealth Management office located in Columbus, WI. The three branches in Beaver Dam, WI are located in a middle income CTs; the Helenville branch is in an upper income CT, the Delevan LPO is in a middle income CT, and the Columbus LPO/Wealth Management Office is in a moderate income CT. All financial information is as of June 30, 2016.

The bank's business strategy is to serve the credit and depository needs of their local community. The bank offers a variety of traditional products and services including commercial, real estate, and consumer loans and various deposit and financial products. As of June 30, 2016, the loan portfolio represented 77.85 percent of total assets. The bank's primary loan product is commercial loans; the bank also offers home mortgage, consumer, and agricultural loans. By dollar volume, the loan portfolio consists of commercial loans (58 percent), residential real estate loans (37 percent), consumer loans (2 percent), agricultural loans (3 percent), and other loans (less than 1 percent).

There are no legal or financial impediments limiting the bank's ability to meet the credit needs of the AAs. ANB Beaver Dam's last CRA evaluation was dated November 9, 2009, using Small Bank procedures. The bank received a "Satisfactory" rating.

DESCRIPTION OF ASSESSMENT AREA

The bank has two AAs located in south-central Wisconsin; one which consists of all CTs located in the Madison, WI Metropolitan Statistical Area (MSA), and one which consists of all other CTs not otherwise located in an MSA, but are geographically similar. The primary AA is the non-MSA AA, while the secondary AA is the Madison MSA AA. The non-MSA AA consists of all CTs located within Dodge County, Jefferson County, and Walworth County. It consists of 62 CTs; zero low income (0 percent), one moderate income (1.61 percent), 38 middle income (61.29 percent), and 23 upper income (37.10 percent). The Madison MSA AA consists of five CTs located in Columbia County, and 11 CTs located in Dane County. It consists of 16 CTs; one low income (6.25 percent), three moderate income (18.75 percent), 11 middle income (68.75 percent), and one upper income (6.25 percent). The AA complies with regulatory requirements and does not arbitrarily exclude any low- or moderate-income geographies.

According to 2010 census data, the total population of the bank's non-MSA AA is 274,673, which is comprised of 71,500 families. Income levels for these families are as follows: 9,889 low-income families (13.83 percent), 11,559 moderate-income families (16.17 percent), 16,622 middle-income families (23.25 percent), and 33,430 upper-income families (46.76 percent). The 2010 U.S. Census estimated median family income (MFI) is \$65,269. The 2014 and 2015 updated FFIEC estimated MFIs are \$60,600 and \$61,500, respectively. In addition, 9.97 percent of AA households have

incomes that fall below the poverty level. Based on 2016 demographic data, the AA has 12,364 non-farm businesses. Of these businesses, 9,747 (78.83 percent) had revenues less than or equal to \$1 million, 965 (7.80 percent) had revenues greater than \$1 million, and 1,652 (13.36 percent) did not report revenue.

According to 2010 census data, the total population of the bank's Madison MSA AA is 81,815, which is comprised of 21,011 families. Income levels for these families are as follows: 381 low-income families (1.81 percent), 3,262 moderate-income families (15.53 percent), 15,179 middle-income families (72.24 percent), and 2,189 upper-income families (10.42 percent). The 2010 U.S. Census estimated MFI is \$73,448. The 2014 and 2015 updated FFIEC estimated MFIs are \$81,200 and \$82,800, respectively. In addition, 7.49 percent of AA households have incomes that fall below the poverty level. Based on 2016 demographic data, the AA has 4,823 non-farm businesses. Of these businesses, 3,673 (76.16 percent) had revenues less than or equal to \$1 million, 360 (7.46 percent) had revenues greater than \$1 million, and 790 (16.38 percent) did not report revenue.

The local economy is starting to stabilize and show some recovery. Customers are regaining confidence in the economy and are looking to take out loans again. Major employers in the area have seen an increase in the amount of job postings, specifically in Beaver Dam area manufacturers. As of December 2015, the unemployment rate was 4.0 percent in Dodge County, 4.0 percent in Columbia County, 3.9 percent in Jefferson County, and 4.4 percent in Walworth County. This compares to the Wisconsin state unemployment rate of 4.2 percent.

In assessing the bank's CRA performance, we contacted a member of the Beaver Dam Chamber of Commerce to determine the community's profile and the performance of local financial institutions. The contact stated that local financial institutions are meeting the credit needs of the community.

Competition in the area is strong. The bank's competitors include branches of large banks, community banks, and credit unions. According to the June 30, 2015 FDIC market share data, ANB Beaver Dam has total deposits of \$102.8 million, with a market share of .53 percent, ranking them 39th in market share across the AAs. The balance of the market share is divided among 71 other institutions with market shares ranging from .03 percent to 14.91 percent.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit (LTD) Ratio

The bank's LTD ratio is reasonable given the bank's size, financial condition, and the credit needs of the community. The bank's quarterly LTD ratio averaged 74.06 percent over the 28 quarters from September 2009 to June 2016. The bank ranks 31st in a peer group which includes 36 similarly situated banks, with peer bank LTD ratios ranging from 42.31 percent to 279.13 percent in the specified time period. The banks in

this peer group have total assets ranging from \$52 million to \$2.86 billion; ANB Beaver Dam is the sixth smallest bank in this group with \$119 million in assets.

Lending in Assessment Area

The bank originates a substantial majority of its loans to borrowers and businesses within its AAs. Results of a random sampling of the bank's primary loan products among both AAs show that 96.47 percent of the total number of loans and 97.35 percent of loan volume were originated within the bank's AAs.

Lending in Assessment Area										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
RE - Home Purchase	25	92.59%	2	7.41%	27	\$ 3,004	90.16%	\$ 329	9.87%	\$ 3,333
RE - Home Refinance	7	100.00%	0	0.00%	7	\$ 439	100.00%	\$ -	0.00%	\$ 439
RE - Home Improvement	11	100.00%	0	0.00%	11	\$ 522	100.00%	\$ -	0.00%	\$ 522
Commercial Loans	39	97.50%	1	2.50%	40	\$ 10,831	99.31%	\$ 75	0.69%	\$ 10,906
Totals	82	96.47%	3	3.53%	85	\$ 14,796	97.35%	\$ 404	2.66%	\$ 15,200

*Source: Sample of 85 bank records from 2014 and 2015
(verified by examiners).*

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The overall income distribution of borrowers reflects reasonable penetration among residential real estate loans and commercial loan customers. The random sample for this review included the bank's primary loan products, which are residential real estate loans and commercial loans.

Non-MSA AA:

The bank's borrower distribution of residential real estate loans from 2014 to 2015 within the AA shows excellent penetration. Low to moderate income families represent 30 percent of total families within the AA. The bank originated 34.78 percent of its residential real estate loans to these individuals. The bank's lending exceeds the percentages for both low and moderate income families.

Borrower Distribution of Residential Real Estate Loans in AA									
Borrower Income Level	Low		Moderate		Middle		Upper		Unavailable
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of Number of Loans
% of Total	13.83%	17.39%	16.17%	17.39%	23.25%	8.70%	46.75%	56.52%	0.00%

Source: Sample of 23 bank records from 2014 and 2015 (verified by examiners) and U.S. Census Demographic Data.

The bank’s borrower distribution to businesses within the AA from 2014 to 2015 shows reasonable penetration. Businesses within the AA with annual revenues less than or equal to \$1 million represent 78.83 percent of total businesses. The bank's sampled loan data is in line with the demographic data, originating 75.00 percent by number and 75.34 percent by dollar amount of its total commercial loans to small businesses within the AA with annual revenues less than or equal to \$1 million.

Borrower Distribution to Businesses in Assessment Area				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	78.83%	7.80%	13.37%	100.00%
% of Bank Loans in AA by #	75.00%	25.00%	0.00%	100.00%
% of Bank Loans in AA by \$	75.34%	24.66%	0.00%	100.00%

Source: Sample of 20 bank records from 2014 and 2015 (verified by examiners) and U.S. Census demographic data.

Madison MSA AA:

The bank’s borrower distribution of residential real estate loans from 2014 to 2015 within the AA shows reasonable penetration. Low and moderate income families represent 17.34 percent of total families within the AA. The bank originated 15.00 percent of its residential real estate loans to these individuals. The bank’s lending is in line with percentages for both low and moderate income families.

Borrower Distribution of Residential Real Estate Loans in AA									
Borrower Income Level	Low		Moderate		Middle		Upper		Unavail.
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of Number of Loans
% of Total	1.81%	5.00%	15.53%	10.00%	72.24%	40.00%	10.42%	45.00%	0.00%

Source: Sample of 20 bank records from 2014 and 2015 (verified by examiners) and U.S. Census demographic data.

The bank's borrower distribution to businesses within the AA from 2014 to 2015 shows reasonable penetration. Businesses within the AA with annual revenues less than or equal to \$1 million represent 76.16 percent of total businesses. The bank's sampled loan data is in line with the demographic data, originating 84.21 percent by number and 69.04 percent by dollar amount of its total commercial loans to small businesses within the AA with annual revenues less than or equal to \$1 million.

Borrower Distribution to Businesses in Assessment Area				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	76.16%	7.46%	16.38%	100.00%
% of Bank Loans in AA by #	84.21%	5.26%	10.53%	100.00%
% of Bank Loans in AA by \$	69.04%	26.97%	3.99%	100.00%

Source: Sample of 19 bank records from 2014 and 2015 (verified by examiners) and U.S. Census demographic data.

Geographic Distribution of Loans

The overall geographic distribution of loans throughout all of the bank's assessment areas reflects reasonable distribution. The bank exceeded demographic data for the Madison MSA assessment area, however, the randomly selected 20 loan sample did not include any loans in the moderate income CTs in the non-MSA AA, which is their primary market. This is reasonable because there is only one moderate income CT in the bank's assessment area. The sample showed the overall geographic distribution is reasonable.

Non-MSA AA:

The overall distribution of loans reflects reasonable dispersion throughout the AA. Based on 2014 and 2015 data, the geographic distribution of residential real estate loans reflects reasonable dispersion throughout the AA. Although our sample did not contain any residential real estate loans in low and moderate income census tracts, the demographic information shows a very low percentage of owner occupied households located in these CTs. There are 0 percent of households located in low income CTs and only 0.86 percent are located in moderate income CTs. Due to the low percentage, it would not be anticipated that our sample would contain any loans in moderate income CTs as a single loan would have represented 5 percent of our sample.

Geographic Distribution of Residential Real Estate Loans in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
% of Real Estate Loans	0.00%	0.00%	0.86%	0.00%	59.32%	95.65%	39.82%	4.35%

Source: Sample of 23 bank records from 2014 and 2015 (verified by examiners) and U.S. Census Demographic Data.

Based on 2014 and 2015 data, the geographic distribution of commercial loans reflects reasonable dispersion throughout the AA. Although our sample did not contain any commercial loans in low and moderate income census tracts, the demographic information shows a very low percentage of businesses located in these CTs. There are 0 percent of businesses located in low income CTs and only 0.48 percent are located in moderate income CTs. Due to the low percentage, it would not be anticipated that our sample would contain any loans in moderate income CTs.

Geographic Distribution of Commercial Loans in Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
% of Total	0.00%	0.00%	0.48%	0.00%	61.65%	95.00%	37.87%	5.00%

Source: Sample of 20 bank records from 2014 and 2015 (verified by examiners) and U.S. Census demographic data.

Madison MSA AA:

The overall geographic distribution of loans reflects excellent distribution throughout the AA. Based on 2014 and 2015 data, the geographic distribution of residential real estate loans within the bank's AA reflects excellent distribution. Although our sample did not include any loans in the low income census tract, the loan sample exceeded the demographic data in moderate income CTs, with 50.00 percent of sampled loans in moderate income CTs compared to 13.05 percent of owner occupied housing. Given the aggregate total in low and moderate income census tracts, the bank more than exceeds the AA demographics.

Geographic Distribution of Residential Real Estate Loans in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
% of Real Estate Loans	2.22%	0.00%	13.05%	50.00%	73.84%	50.00%	10.89%	0.00%

Source: Sample of 20 bank records from 2014 and 2015 (verified by examiners) and U.S. Census demographic data.

Based on 2014 and 2015 data, the geographic distribution of commercial loans within the bank’s AA reflects excellent distribution. Our loan sample showed the percentage of lending in both the low and moderate income CTs exceeds the demographic information. The loan sample had 10.53 percent of commercial loans in low income CTs compared to 6.22 percent of total businesses. The loan sample had 78.95 percent of loans located in moderate income CTs compared to 18.58 percent of total businesses.

Geographic Distribution of Commercial Loans in Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
% of Total	6.22%	10.53%	18.58%	78.95%	67.90%	10.52%	7.30%	0.00%

Source: Sample of 19 bank records from 2014 and 2015 (verified by examiners) and U.S. Census demographic data.

Responses to Complaints

The bank has not received any CRA-related complaints since the previous CRA examination.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c), in determining a national bank’s (bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank’s lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.