



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

April 07, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The American National Bank of Beaver Dam
Charter Number 4602**

**115 Front Street
Beaver Dam, WI 53916**

**Comptroller of the Currency
Milwaukee Field Office
1200 North Mayfair Road, Suite 200
Milwaukee, WI 53226**

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.

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INSTITUTION'S CRA RATING - This institution is rated Satisfactory.

- The bank has a good distribution of loans to individuals of different income levels, including low- and moderate-income levels, and businesses of different sizes.
- A substantial majority of loans are originated inside the bank's assessment area.
- The geographic distribution of loans reflects an adequate dispersion throughout the assessment area.
- The loan-to-deposit ratio is reasonable.

DESCRIPTION OF INSTITUTION

The American National Bank of Beaver Dam (The ANB of Beaver Dam) is a \$125 million community bank with \$11.6 million in tier one capital. The main office is located in downtown Beaver Dam, WI in a middle-income block numbering area (BNA). The bank also operates two full service branches, one on the north side of Beaver Dam in an upper-income BNA and the other in Helenville, WI in an upper-income BNA. The bank also operates four ATMs, two are located in middle-income BNAs and two are located in upper-income BNAs. Both branches house ATMs that are available 24-hours. The other two ATMs are available during business hours and are located in the following middle-income BNA locations: Lunde's Supermarket in Beaver Dam and Recheck's Food Pride in Beaver Dam. All ATMs are non-deposit taking except for the Beaver Dam branch machine. The bank has not opened or closed any branches since the last exam. However, the Helenville branch, a former state chartered sister bank (The Bank of Helenville), was merged into the bank on November 19, 2001. The bank is wholly owned by Ambanc Financial Services, Inc., a one-bank holding company located in Beaver Dam, WI, with \$129 million in total assets. All financial information is as of December 31, 2002.

The bank offers traditional community bank products and services with a net loan portfolio representing 58% of total assets as of December 31, 2002. The bank is primarily a residential real estate lender with a loan portfolio that consists of (by dollar value) 75% residential real estate loans, 19% commercial loans, and 6% consumer loans.

There are no financial or legal impediments that would hinder the bank's ability to help meet the credit needs of its assessment areas. The previous CRA examination dated October 28, 1997, resulted in a satisfactory rating.

DESCRIPTION OF BEAVER DAM ASSESSMENT AREA

The Beaver Dam assessment area (AA) surrounds the main office and the branch located on the north side of Beaver Dam. It is not part of a Metropolitan Statistical Area (MSA). The HUD updated median family income for non-metropolitan areas in Wisconsin was \$50,800 in 2002 and \$48,400 in 2001. These figures were used in the borrower income distribution test. The 1990 census median

family income for non-metropolitan areas in Wisconsin was \$30,290. This figure was used in the geographic distribution test. This AA is comprised of one upper- (6%) and fifteen middle-income (94%) block-numbering area (BNAs) in Dodge, Columbia, and Fond du Lac counties. Based on 1990 census data, the total population in this assessment area was 61,262, with 57,476 individuals in the middle-income tracts or 93.82% of the total, and 3,786 in the upper-income tract (6.18% of the total). This population was comprised of 16,316 families. Income levels for these families were as follows: 2,016 low-income families (12.36%), 3,039 moderate-income families (18.63%), 4,481 middle-income families (27.46%), and 6,780 upper-income families (41.55%). Of the low-income families, 892 (44.2%) were below the poverty level. The median housing value within this assessment area was \$52,444, with 67% of the total housing units being owner-occupied.

The current local economy is characterized as stable. The local economy is primarily dependent on manufacturing. Major employers in the area remain relatively unchanged since the last CRA examination, and include the following: Beaver Dam Community Hospital, Kraft, Willow Foods, Citizens Publishing, Burgess-Norton, Kirsh Foundry, Apache Stainless Equipment, and The WEYCO group. Mayville Engineering has left the area since the last examination. The average unemployment rate for 2002 in the state of Wisconsin was 5.2%. The average unemployment rate for this assessment area for the same time period was 5.8%. These figures are not seasonally adjusted.

Competition among financial institutions in the area is relatively strong. The bank's competitors in the Beaver Dam assessment area include: branches of three large multi-state banks, branches of three large Wisconsin state banks, main offices and branches of nine Wisconsin community banks, as well as credit unions and mortgage companies in the area. In total deposits, The ANB of Beaver Dam, with a market share of 11.65%, ranks third out of 16 FDIC-insured institutions with at least one branch located in this assessment area. The balance of the market share is divided among the other 15 institutions with market shares ranging from 19.82% down to 0.68%. The FDIC market share data is as of June 30, 2002.

Both this assessment area, and the Helenville assessment area described below, meet the requirements of the Community Reinvestment Act and do not arbitrarily exclude any low- or moderate-income geographies.

In conducting this assessment of the bank's performance, we contacted a local Chamber of Commerce representative. The contact stated that local financial institutions overall are meeting the credit needs of the community and had only favorable comments concerning the bank's performance.

DESCRIPTION OF HELENVILLE ASSESSMENT AREA

The Helenville assessment area (AA) is comprised of one middle- (20%) and four upper-income (80%) BNAs located within Jefferson County. This AA is also not part of an MSA. Based on 1990 census data, the total population in this assessment area was 17,359, with 3,025 individuals in the middle-income tract or 17.43% of the total, and 14,334 in the upper-income tracts (82.57% of the total). This population was comprised of 4,611 families. Income levels for these families were as follows: 520 low-

income families (11.28%), 641 moderate-income families (13.9%), 1,091 middle-income families (23.66%), and 2,359 upper-income families (51.16%). Of the low-income families, 214 (41.2%) were below the poverty level. The median housing value within this assessment area was \$61,584, with 72% of the total housing units being owner-occupied.

The current local economy is characterized as stable. No large companies are located in the Helenville area; however, the major employers in Jefferson County include the following: Trek Bicycle Corporation and Perry Judd's Inc. in Waterloo, WI, Bethesda Lutheran Homes and Services in Watertown, WI, and Fort Atkinson Memorial Health in Fort Atkinson, WI. The average unemployment rate for 2002 in the state of Wisconsin was 5.2%. The average unemployment rate for Jefferson County during the same time period was 4.7%. These figures are not seasonally adjusted.

The bank's competitors in the Helenville assessment area include: a branch of one large multi-state bank, a branch of one large Wisconsin state bank, branches of two Wisconsin community banks, as well as credit unions and mortgage companies in the area. In total deposits, The ANB of Beaver Dam, with a market share of 5.36%, ranks fifth out of 5 FDIC-insured institutions with at least one branch located in this assessment area. This branch, with approximately \$9 million in total assets, has a lower level of total assets as compared to the other institutions in the area. The balance of the market share is divided among the other 4 institutions with market shares ranging from 35.11% down to 9.47%. The FDIC market share data is as of June 30, 2002.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is reasonable given its size, financial condition, and credit needs of the community. The average quarterly loan-to-deposit ratio for the bank in the combined assessment areas since the last examination is 66%, which ranks 14th in the peer group of fifteen similarly situated banks. The peer group consists of banks with assets less than \$250 million that are chartered in the bank's Beaver Dam or Helenville assessment area. Although The ANB of Beaver Dam's loan-to-deposit ratio is lower than a majority of its peer group, a major contributing factor is the volume of loans the bank sold on the secondary market. In 2002 and 2001, the bank originated and sold loans totaling \$31 million and \$30 million, respectively. These loans are not included in the loan-to-deposit calculation. The ANB of Beaver Dam has the third largest level of average assets of these banks at \$121 million. The other banks' average assets ranged from \$3 million to \$209 million. The average loan-to-deposit ratios for the similarly situated banks ranged from 65% to 124% over the same time period.

Lending in Assessment Area

The bank originates a substantial majority of its loans inside its combined assessment areas. This conclusion is based on an analysis of the original dollar amount and number of all commercial, residential real estate and consumer loans originated or refinanced by the bank between January 1, 2001 and December 31, 2002. A comparison of zip code and BNA boundaries indicated they are similar; therefore, the location of borrowers with loans in the selected time period was determined using their zip code as a proxy for the BNA address. A report sorted by zip code and loan type was generated to

complete the analysis. The following table illustrates the level of lending inside the bank's assessment area:

Penetration of Lending Inside the Bank's Assessment Areas January 2001 – December 2002 Loan Originations		
	% of Total Number of Loans Inside the Assessment Area	% of Total Dollar Amount of Loans Inside the Assessment Area
Commercial Loans	92%	91%
Consumer Loans	91%	88%
Residential Real Estate Mortgages	92%	91%
Total	92%	90%

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

The bank's lending practices in its combined assessment areas represent a good penetration among individuals of different income levels, including low- and moderate-income borrowers, and businesses of different sizes. The bank's primary loan products were used in our sample and are depicted in the following tables. A sample of 25 commercial customers located in the bank's assessment areas indicates the following breakdown of annual revenues:

Lending Distribution Based on Revenue Size of Businesses January 2001 – December 2002 Loan Originations			
Revenue Size of Businesses Sampled (000's)	Bank Lending Distribution by Number of Loans	Percent	Percentage of Businesses in Each Revenue Category (census information)
< \$100	10	40%	79%
\$100 - \$500	4	16%	
\$500 - <\$1,000	2	8%	4%
= or > \$1,000	3	12%	7%
Revenue not Reported	6	24%	10%
Totals:	25	100%	100%

The table above shows 88% of the businesses sampled have revenues less than \$1 million. Loans for businesses with unreported revenues include loans where no income information was available. These businesses in our sample are included in the less than \$1 million revenue category because it can be reasonably inferred from the type of business that gross revenues are under \$1 million.

The following table is based on an analysis of 25 residential first lien real estate mortgage loans containing information for the borrower. These customers are located within the bank's assessment areas and were randomly selected from all residential first lien real estate mortgages originated or refinanced between January 1, 2001 and December 31, 2002.

Lending Distribution Based on Income Level of Residential First Lien Real Estate Borrowers January 2001 – December 2002 Loan Originations			
Borrower Income Level	Bank Lending Distribution by Number of Loans	Bank Lending Distribution by Dollar Value of Loans	Percentage of Families in each Income Category (Census information)
Low	20%	10%	12%
Moderate	28%	30%	17%
Middle	24%	22%	27%
Upper	28%	38%	44%
Totals	100%	100%	100%

As indicated by the table above, 48% of the number and 40% of the dollar value of loans were made to low- and moderate-income borrowers, who make up 29% of the combined assessment areas' population. The dollar value of loans for low-income borrowers is slightly below the demographic characteristics of the combined assessment areas. This is indicative, however, of the smaller loans that are typically made to customers in this income range.

Geographic Distribution of Loans

As discussed in the description of the assessment areas, both of the bank's assessment areas consist of only middle- and upper-income BNAs. Due to the lack of low- or moderate-income BNAs in the assessment areas, a detailed geographic distribution would not be meaningful. A limited analysis was performed using a sorted zip code report. This analysis revealed a reasonable distribution of loans throughout the combined assessment areas. According to 1990 census data and bank management, low- and moderate-income families are not concentrated in any one particular area. These families are dispersed throughout the assessment areas in neighborhoods with middle- and upper-income families.

Responses to Complaints

No complaints have been received by the bank or OCC relating to the bank's CRA performance since the previous examination.

Fair Lending Review

An analysis of 2002 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on analysis of this information (or absence of information), the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in conjunction with the previous CRA examination in 1997.