



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

January 7, 2013

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

American Bank and Trust Company, National Association  
Charter Number 24369

4301 East 53rd Street  
Davenport, Iowa 52807

Office of the Comptroller of the Currency  
Des Moines Field Office  
1089 Jordan Creek Parkway, Suite 230  
West Des Moines, Iowa 50266

**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.**

American Bank and Trust Company, National Association (bank) satisfactorily meets the needs of its assessment areas (AAs).

- The average loan-to-deposit (LTD) ratio is reasonable compared to similarly situated banks in the AAs.
- A majority of the bank's loans are originated within its AAs.
- The bank's distribution of loans among borrowers of different income levels is reasonable.
- The geographic distribution of loans to borrowers of different income levels reflects the demographics of the AAs.
- There were no complaints regarding the bank's performance in meeting the credit needs of the AAs.

**The Community Development Test is rated: Satisfactory.**

The bank adequately responds to the community development (CD) needs of the AAs through CD lending, qualified investments, and services.

- The bank's CD performance demonstrates a reasonable responsiveness to the CD needs of the AAs.

**SCOPE OF EXAMINATION**

This performance evaluation assesses the bank's record of meeting the credit needs of the communities in which it operates. We evaluated the bank under the Intermediate Small Bank performance criterion, which includes a lending test and a CD test. The lending test evaluates the bank's record of helping to meet the credit needs of its AAs through its lending activities. The CD test evaluates the bank's CD lending, qualified investments, and CD services.

The evaluation period for the lending test covers loans originated or purchased from January 1, 2010 through December 31, 2011. Residential real estate loans are the bank's primary product. The evaluation period for the CD test covers lending activities, qualified investments, and services from October 15, 2008 through November 30, 2012.

The bank has two AAs, the Quad Cities and Northeast Illinois, generating a majority of the bank's loans and deposits. Until June 4, 2010, the bank had a third AA, Johnson

County. The bank sold the branches located within the Johnson County AA as part of its revised strategic plan. The Johnson County AA was excluded from our review because it was only applicable for six months of our lending test scope. The Quad Cities AA is the bank's primary AA and its performance will be weighted heavier than the Northeast Illinois AA performance.

Conclusions regarding the bank's lending performance are based on residential real estate loans originated or purchased from January 1, 2010 through December 31, 2011, utilizing 2000 census data. During this period residential real estate loans represented 76.2 percent of loan originations or purchases by dollar amount and 77.6 percent by number.

We conducted a Home Mortgage Disclosure Act (HMDA) Data Integrity Review in November 2012 by comparing the bank's loan application registers to actual loan files. We found the HMDA data for 2010 and 2011 to be accurate and reliable for use during this examination.

## **DESCRIPTION OF INSTITUTION**

The bank is a community bank headquartered in Davenport, Iowa, which is located in Eastern Iowa along the Mississippi River and Interstates 74 and 80. As of September 30, 2012, the bank reported total assets of \$401 million and tier 1 leverage capital of \$39 million. This bank is an interstate financial institution with eight full-service branch locations serving Scott County in Iowa, and Rock Island County with portions of Henry, Kane, and Mercer counties in Illinois. Each full-service office has an automated teller machine (ATM) and drive up facilities. The bank has 16 ATMs located throughout the two AAs, 12 of which are in the Quad Cities AA and four in the Northeast Illinois AA.

The bank is a wholly owned subsidiary of Ambank Holdings, Inc., a one bank holding company (HC) headquartered in Davenport, Iowa. The HC also owns Ambank Financial Services, Inc., a provider of insurance and brokerage services. As of year-end 2011, the HC had consolidated assets of \$466 million. Neither the HC nor Ambank Financial Services, Inc. negatively impact the bank's ability to meet the credit needs of the communities it serves.

Since the October 14, 2008 CRA evaluation, the bank has exited the Johnson County AA, leaving the Quad Cities and Northeast Illinois AAs. The bank sold the branches located within the Johnson County AA. In addition, the bank closed two in-store branches and one full service branch within the Quad Cities AA.

The bank's primary product is residential real estate loans. Residential real estate loans represent 76.2 percent of loan originations or purchases by dollar amount and 77.6 percent by number during the review period. Commercial and consumer loans are not primary loan products, accounting for only 23.8 percent of loan originations or

purchases by dollar amount and 22.4 percent by number. The bank did not make any agricultural loans during the evaluation period.

<b>Loan Origination by Loan Type</b>				
Loan Category	\$ (000)	%	#	%
Commercial Loans	\$255,627	22.4%	436	8.2%
Residential Loans	\$871,596	76.2%	4,116	77.6%
Consumer Loans	\$15,949	1.4%	749	14.2%
<b>Total Originations</b>	<b>\$1,143,172</b>	<b>100.0%</b>	<b>5,301</b>	<b>100.0%</b>

*Source: Bank records from January 1, 2010 to December 31, 2011*

Management’s strategy for the bank has changed since the October 2008 Community Reinvestment Act (CRA) examination when the primary products were both commercial and residential loans. The amount of commercial lending has significantly declined and stalled in some instances because of the recession. This is particularly true in the Northeast Illinois AA where appraised values are 40 to 50 percent of what they were four years ago based upon appraisal reviews conducted by management. Management feels the bank is better situated to develop the Quad Cities AA and penetrate this market given their larger presence in this AA as well as more favorable economic conditions.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **LENDING TEST**

The bank’s performance with regard to the lending test is satisfactory.

#### **Loan-to-Deposit Ratio**

The bank’s average LTD ratio is reasonable given the bank’s financial condition, size, and AAs credit needs. The bank’s quarterly LTD ratio averaged 82.0 percent over 20 quarters from December 31, 2007 to September 30, 2012. The low and high LTD ratios during that same period were 65.6 percent 92.9 percent.

The bank’s LTD ratio compares favorably with other similarly situated institutions within the AAs. The five other banks tested have an average LTD ratio of 82.4 percent, ranging from a low of 55.9 percent to a high of 95.8 percent.

**Lending in Assessment Areas**

A majority of the bank’s loans are made within the bank’s AAs. Overall, the bank originated 68.4 percent by number and 64.4 percent by dollar of its primary product within its AA.

The following table details the bank’s lending within the AA by number and dollar amount of loans.

<b>Lending in Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans (\$000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	459	69.2%	204	30.8%	663	\$77,564	66.5%	\$39,007	33.5%	\$116,571
Home Refinance	2,298	67.8%	1,093	32.2%	3,391	\$454,494	64.0%	\$255,280	36.0%	\$709,774
Home Improvement	49	96.1%	2	3.9%	51	\$1,071	82.1%	\$234	17.9%	\$1,305
<b>Total</b>	<b>2,806</b>	<b>68.4%</b>	<b>1,299</b>	<b>31.6%</b>	<b>4,105</b>	<b>\$533,129</b>	<b>64.4%</b>	<b>\$294,521</b>	<b>35.6%</b>	<b>\$827,650</b>

*Source: 2000 U.S. Census data and 2010-2011 HMDA data*

**COMMUNITY DEVELOPMENT TEST**

The bank demonstrates an adequate responsiveness to CD opportunities throughout the AAs. CD activities satisfactorily target low- and moderate-income individuals, families, and geographies.

**Number and Amount of Community Development Loans**

The bank originated nine CD loans totaling \$3.0 million over the evaluation period.

**Number and Amount of Qualified Investments**

The bank made two qualified investments totaling \$159 thousand during the evaluation period. In addition, the bank made \$83 thousand in donations and in-kind contributions primarily benefiting low- and moderate-income individuals and areas.

**Extent to Which the Bank Provides Community Development Services**

The bank provides an adequate level of CD services throughout its AAs. Branch location is reasonable, and the products and services offered by the bank help to meet the needs of the community. Employees provide their financial expertise to a variety of organizations that primarily benefit low- and moderate-income individuals or areas.

## **FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any AA by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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

## MULTISTATE METROPOLITAN AREA RATING

### QUAD CITIES ASSESSMENT AREA

**CRA Rating for the Quad Cities AA<sup>1</sup>: Satisfactory.**

**The Lending test is rated: Satisfactory.**

**The Community development test is rated: Satisfactory.**

The major factors supporting this rating include:

- The borrower distribution of loans reflects a reasonable penetration throughout the AA.
- The geographic distribution of loans reflects a reasonable dispersion throughout the AA.
- CD activity reflects an adequate responsiveness to CD needs throughout the AA.

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE QUAD CITIES ASSESSMENT AREA

The Quad Cities AA includes Rock Island and Scott County along with five census tracts (CT) in Henry County and one CT in Mercer County. The bank has six full-service branch locations and 12 ATMs located within the AA. The entire AA consists of 92 CTs, 19 of which are upper-income, 44 middle-income, 24 moderate-income and 4 low-income. Low- and moderate-income CTs represent 30 percent of the AA. The AA consists of whole CTs and does not reflect illegal discrimination or arbitrarily exclude any low- or moderate-income areas in accordance with 12 C.F.R. 25.41.

As of June 30, 2012, deposits in this market totaled \$368 million and represented 2.3 percent of the market. Local competitors include Quad City Bank & Trust, THE National Bank and Blackhawk State Bank with 18.0 percent, 7.4 percent and 2.2 percent of the deposit market respectively.

Demographic data for 2011 shows a population of 338 thousand. The median family income is \$64,100. The local economy experienced a prolonged recession in recent years, but has begun to see an upturn since fall 2012. The economy of this AA is concentrated in manufacturing, healthcare, and agricultural industries. Some major employers include John Deere, Inc., ALCOA, Rock Island Arsenal, Genesis Medical Center, and Trinity Medical Center.

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<sup>1</sup>This rating reflects performance within the multistate metropolitan area. The statewide evaluations do not reflect performance in the parts of those states contained within the multistate metropolitan area.

We conducted two community contacts during the examination. The contacts felt the Quad Cities area had weathered the recession fairly smoothly and the economy was beginning to pick up pace. However, both feel there is a need for lending within the area. One individual stated his office is receiving feedback from developers that financing is incredibly difficult to obtain through local financial institutions. He feels there is still a gap that must be bridged between the financial institutions and programs offered by the City and State for financing. The second individual felt the lending needs were highest in Rock Island County where low- and moderate-income level families are the highest.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### LENDING TEST

The bank’s performance with regards to the lending test in the Quad Cities AA is satisfactory.

#### Lending to Borrowers of Different Incomes

The distribution of home purchase, home improvement, and refinance loans to borrowers of different income levels in the Quad Cities AA is reasonable. The bank’s percentage of home improvement loans to low-income and home purchase and home improvement loans to moderate-income borrowers was excellent, as it exceeds the demographic comparator. The percentage of home purchase and refinance loans to low-income borrowers and refinance loans to moderate-income borrowers is below the demographic comparator; however, distribution remains reasonable as ten percent of AA households are below the poverty level.

The following table shows the distribution of home loan products among borrowers of different income levels as compared to the percent of families in each income category.

Borrower Distribution of Residential Real Estate Loans in Quad Cities AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Home Purchase	18.6%	10.6%	18.0%	27.2%	23.8%	26.0%	39.6%	36.2%
Home Improvement	18.6%	23.9%	18.0%	26.1%	23.8%	26.1%	39.6%	19.6%
Refinance	18.6%	6.3%	18.0%	14.9%	23.8%	27.4%	39.6%	49.3%

Source: 2000 U.S. Census data and 2010-2011 HMDA data

#### Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion in CTs of different income levels, including the low- and moderate-income CTs. While the level of home purchase and refinance loans originated in the low- and moderate-income CTs is low,



there are not as many opportunities to lend given the low percentage of owner-occupied housing in these income CTs.

The following table details the bank’s performance as compared to the percentage of owner-occupied housing units in each CT income level.

<b>Geographic Distribution of Residential Real Estate Loans in Quad Cities AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% 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
Home Purchase	1.3%	0.4%	13.6%	9.8%	59.2%	51.2%	25.9%	38.2%
Home Improvement	1.3%	4.3%	13.6%	10.9%	59.2%	47.8%	25.9%	37.0%
Refinance	1.3%	0.0%	13.6%	7.9%	59.2%	50.6%	25.9%	40.2%

Source: 2000 U.S. Census data and 2010-2011 HMDA data

**Responses to Complaints**

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

**COMMUNITY DEVELOPMENT TEST**

The bank adequately assessed the needs of the Quad Cities AA and responded with CD loans, qualified investments, and services. This meets the standard for satisfactory performance.

**Number and Amount of Community Development Loans**

The bank made nine CD loans totaling \$3.0 million over the evaluation period. Two of the more notable loans include one loan for \$1.0 million that helped fund a grocery store located in a low- and moderate-income geography. This grocery store provides discounted groceries to consumers and provides permanent jobs in the area. The second is a loan for \$800 thousand to an organization that operates a nursing home and sheltered facility. There are 94 beds total, 81 of which are licensed for Medicare. The manor is adjacent to and serves a moderate-income CT.

**Number and Amount of Qualified Investments**

The bank has two qualified investments for \$159 thousand and has made \$81 thousand in cash contributions and donations to CD organizations assisting low- and moderate-income individuals, families and geographies within the AA. The Development Association of Rock Island received \$36 thousand and the Robert Young Center received \$28 thousand.

### **Extent to Which the Bank Provides Community Development Services**

The bank has six full-service branch locations and 12 ATMs located within the AA making them reasonably accessible to individuals and geographies of low- and moderate-income levels. The downtown Rock Island branch is located at 1600 4<sup>th</sup> Avenue in a moderate-income CT. All full-service branches have extended drive up hours, and the bank's loan and deposit products are available at all locations.

Individuals of the bank do a satisfactory job of offering their financial expertise to organizations within the community, particularly the Neighborhood Housing Services of Davenport, Inc. and Rock Island Economic Growth.

### **Responsiveness to Community Development Needs**

The bank demonstrates an adequate responsiveness to CD opportunities throughout the Quad Cities AA. CD activities satisfactorily targeted low- and moderate-income individuals, families, and geographies.

## STATE RATING

### ILLINOIS

#### **CRA Rating for Illinois: Satisfactory.**

**The Lending test is rated: Satisfactory.**

**The Community development test is rated: Satisfactory.**

The major factors supporting this rating include:

- The geographic distribution of loans reflects a reasonable dispersion throughout the State.
- CD activity reflects an adequate responsiveness to CD needs throughout the State.

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN ILLINOIS

The Northeast Illinois AA, which is part of the Chicago-Naperville-Joliet Metropolitan Statistical Area (MSA), includes the central part of Kane County. The bank has two-full service branch locations, four ATMs, one loan production office, and one trust office located within the AA. The entire AA consists of 759 CTs, 318 of which are upper-income, 300 middle-income, 122 moderate-income, 17 low-income, and two are unknown. Low- and moderate-income CTs represent 18 percent of the AA. The AA consists of whole CTs and does not reflect illegal discrimination or arbitrarily exclude any low- or moderate-income areas in accordance with 12 C.F.R. 25.41.

The economy in the Northeast Illinois AA has halted since the most recent recession. Referencing management appraisal reviews, property values are 40 to 50 percent of what they were prior to the recession. Referencing the US Bureau of Labor Statistics, the November 2012 Kane County unemployment rate is elevated at 8 percent. The median family income is \$76,200. The population in this AA in 2011 was 3.99 million.

We conducted two community contacts within the Chicago-Naperville-Joliet, Illinois MSA, which includes the Northeast Illinois AA. Both feel the area continues to be distressed and was hit particularly hard by the recession. Our contacts felt there are many needs for affordable housing, education, and economic development.

### CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ILLINOIS

#### LENDING TEST

The bank's performance regarding the lending test in Illinois is Satisfactory.

**Lending to Borrowers of Different Incomes**

The distribution of home purchase, home improvement, and refinance loans to borrowers of different income levels in the Northeast Illinois AA is poor. The bank’s percentage of home purchase, home improvement, and refinance loans to low- and moderate-income borrowers is below the demographic comparator with the exception of home purchase loans to moderate-income borrowers. Although there are no home improvement loans to low- or moderate-income borrowers, very few home improvement loans were originated in this AA. Generally, borrowers with low- or moderate-incomes have difficulty qualifying for these loans due to their limited incomes. Given that seven percent of the AA households are living below the poverty level, overall lending to low- and moderate-income borrowers is below the percentage of low- and moderate-income families.

The following table shows the distribution of home loan products among borrowers of different income levels as compared to the percent of families in each income category.

<b>Borrower Distribution of Residential Real Estate Loans in Northeast Illinois AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Home Purchase	15.0%	10.8%	15.8%	18.3%	22.3%	23.5%	46.9%	47.4%
Home Improvement	15.0%	0.0%	15.8%	0.0%	22.3%	0.0%	46.9%	100.0%
Refinance	15.0%	2.0%	15.8%	11.2%	22.3%	24.4%	46.9%	60.7%

*Source: 2000 U.S. Census data and 2010-2011 HMDA data*

**Geographic Distribution of Loans**

The geographic distribution of loans reflects reasonable dispersion in CTs of different income levels, including the low- and moderate-income CTs. While the level of home purchase, home improvement, and refinance loans originated in the low- and moderate-income CTs is low, there are not as many opportunities to lend given the low percentage of owner-occupied housing in these income CTs. The exception is home purchase loans originated in the moderate-income census tract which is considered excellent.

The following table details the bank’s performance as compared to the percentage of owner-occupied housing units in each CT income level.

<b>Geographic Distribution of Residential Real Estate Loans in Northeast Illinois AA</b>								
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
Home Purchase	0.4%	0.0%	8.4%	12.2%	41.4%	34.7%	49.8%	53.1%
Home Improvement	0.4%	0.0%	8.4%	0.0%	41.4%	33.3%	49.8%	66.7%
Refinance	0.4%	0.5%	8.4%	3.9%	41.4%	27.8%	49.8%	67.8%

Source: 2000 U.S. Census data and 2010-2011 HMDA data

**Responses to Complaints**

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

**COMMUNITY DEVELOPMENT TEST**

The bank adequately assessed the needs of its community and responded with qualified CD investments and services. While the bank did not make any qualifying CD loans, they still meet the standard for satisfactory performance.

**Number and Amount of Community Development Loans**

The bank did not make any CD loans in the Northeast Illinois AA.

**Number and Amount of Qualified Investments**

The bank did not purchase any qualified investments, but did have two charitable contributions to United Way totaling \$2 thousand.

**Extent to Which the Bank Provides Community Development Services**

The bank has two full-service branch locations and four ATMs within the AA. While branches are not located within low- or moderate-income CTs, they are reasonably accessible to individuals of different income levels. Extended hours are available at both drive up locations. The bank’s loan and deposit products are available at both branch locations.

Individuals at the bank do a satisfactory job of offering their financial expertise to organizations within the community, particularly the Elburn Lions Club.

**Responsiveness to Community Development Needs**

The bank demonstrates an adequate responsiveness to CD opportunities given their performance context in the Northeast Illinois AA. CD opportunities are available in the area, there are 122 moderate-income CTs and 17 low-income CTs which represents

18.3 percent of the AA. However, the bank's ability to lend is restricted with a deposit market share at 0.03 percent. In addition, the bank has revised its strategic to place more focus on the Quad Cities AA where it has greater market share and presence in the community.

As mentioned above, the bank did not purchase any qualified investments. This is primarily because of the unstable Illinois state government. The bank is actively trying to sell all Illinois bonds.

## Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test: January 1, 2010 to December 31, 2011 Community Development Test: October 15, 2008 to November 30, 2012	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
American Bank & Trust N.A. Davenport, IA	Residential Real Estate	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
<i>None.</i>		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Quad Cities AA Illinois (Northeast Illinois AA)	Full Scope Full Scope	

# Appendix B: Summary of Multistate Metropolitan Area and State Ratings

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Overall Bank:	Lending Test Rating	Community Development Test Rating	Overall Bank/State/Multistate Rating
American Bank & Trust N.A.	Satisfactory	Satisfactory	Satisfactory
Quad Cities AA	Satisfactory	Satisfactory	Satisfactory
Illinois	Satisfactory	Satisfactory	Satisfactory