

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 CRA performance of the **F&M Bank - Kiel, Kiel, Wisconsin**, prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **November 18, 1996**. 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 **Outstanding**.

The F&M Bank - Kiel actively promotes economic revitalization and growth, consistent with its size, financial capacity, location, and the current economic conditions of the assessment area. The extent of the bank's lending activities is evidenced by its loan-to-deposit ratio, which is notably higher than its peers and local competitors and a high percentage of loan originations within the assessment area. Loans were distributed among small farms, small businesses and borrowers of all income levels, including low- or moderate-income borrowers. There is no evidence of discriminatory lending practices or policies intended to discourage individuals from applying for loans offered by the bank. There were no CRA-related complaints received by the bank.

The following table indicates the performance level of **F&M Bank - Kiel, Kiel, Wisconsin** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	F&M BANK - KIEL PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio	X		
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes	X		
Geographic Distribution of Loans	THERE ARE NO LOW- OR MODERATE-INCOME GEOGRAPHIES WITHIN THE ASSESSMENT AREA		
Response to Complaints	NO CRA-RELATED COMPLAINTS WERE RECEIVED		

DESCRIPTION OF INSTITUTION

The F&M Bank - Kiel, with total assets of \$42.9 million as of September 30, 1996, is a subsidiary of F&M Bancorporation, Kaukauna, Wisconsin, a multi-bank holding company, with approximately \$944 million in assets as of December 31, 1995. The bank serves the assessment area through one office in downtown Kiel. In addition, it maintains a TYME automated teller machine (ATM), located approximately one mile from the bank.

Local competition is provided by the Kiel branch offices of First Northern Savings Bank, S.A., Green Bay; The First National Bank in Manitowoc, Manitowoc; and La-Tec Credit Union, New Holstein. Additional competition in the assessment area is provided by the Elkhart Lake branch of the Community Bank, Sheboygan; the New Holstein branch of M&I Bank Fox Valley, Appleton; the Chilton branch of Great Midwest Bank, S.S.B. Brookfield; the State Bank of Chilton, Chilton; and the State Bank of Howards Grove, Howards Grove.

The bank provides deposit and loan services, offering agricultural, residential mortgage, commercial and consumer loan products. In addition to its standard loan products, the bank offers checking overdraft protection lines and has loans available through the Small Business Administration (SBA) Federal Loan Program. As of September 30, 1996, residential real estate secured loans comprised the largest portion of the bank's portfolio, representing 45.39% of the bank's total outstanding loans; commercial and industrial, and agricultural loans represented 43.30% of the portfolio. There are no apparent factors relative to the bank's financial condition, size, or local economic conditions which prevent the bank from meeting its community's credit needs.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

The bank is located in Kiel along the Manitowoc/Calumet county line in the eastern part of Wisconsin, approximately 30 miles southeast of Manitowoc. Kiel, with an estimated population of 3,086, is encircled by the Cities of Manitowoc, Sheboygan, Fond du Lac, and Appleton, all within a 40 minute drive of Kiel. The bank is not located in nor does it have a branch office in a Metropolitan Statistical Area (MSA). The assessment area includes portions of Manitowoc, Calumet, Sheboygan, and Fond du Lac Counties and consists of 11 block numbering areas (BNAs).

Based on 1990 U.S. census data, all 11 of the BNAs in the assessment area are classified as middle- or upper-income and all are nonminority geographies. The total population of the assessment area is 55,156, of which 98.5% is White. The median family income of the assessment area is \$37,557. The breakdown of the 14,846 families in the assessment area, by income level, is as follows: 1,664 or 11.2% low-income; 2,633 or 17.8% moderate-income; 4,413 or 29.7% middle-income; and 6,136 or 41.3% upper-income.

The median housing value in the assessment area is \$60,158. The median age of the area's housing stock is 44 years with 44.5% of all housing built before 1950. By comparison, the median housing value for the State of Wisconsin is \$62,141 and the median housing value for the rural (non-Metropolitan Statistical Area) portion of the state is \$50,092. Median monthly rent for the assessment area is \$325, compared to \$399 for the state. Approximately 72.9% of the housing units located in the assessment area are owner-occupied and 18.4% are renter-occupied.

While community representatives described the assessment area as being primarily rural, a number of residents are employed by manufacturing companies such as Kohler Manufacturing Corporation in Sheboygan (manufactures sinks, faucets, etc. - employs 5,000); Tecumseh Corporation in Chilton (manufactures garden and snow removal equipment - employs 1,500); and the shipyard in Manitowoc (employs approximately 500). A large portion of the labor force is employed by service industries (restaurants, hotels, etc.) in Manitowoc, Sheboygan, Fond du Lac, and Appleton. Additionally, small companies in Kiel employ local residents.

According to Wisconsin's Department of Workforce Development, the November, 1996 unemployment rates for Manitowoc, Sheboygan, Fond du Lac and Calumet Counties are 3.1%, 2.1%, 2.4%, and 2.2%, respectively. The State of Wisconsin November, 1996 unemployment rate is 2.7%.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

A review of loans and denied credit applications revealed that the bank is in compliance with the substantive provisions of anti-discrimination laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act. No discriminatory lending practices or policies intended to discourage loan applicants were detected during the examination.

Loan-to-Deposit Analysis

The bank's loan-to-deposit ratio from December 31, 1994 through September 30, 1996 averaged 85.41%. According to the June 30, 1996 Uniform Bank Performance Report (UBPR), the bank's loan-to-deposit ratio of 86.36% exceeded its peer average of 62.07%.

To assess the bank's standing with local competition, a comparison of the bank's loan-to-deposit ratio with those of six area banks was conducted. The following chart shows the loan-to-deposit ratio of the bank's primary competitors, according to the Fall 1996 edition of the *McFadden American Financial Directory*:

Loan-to-Deposit Ratio (LTD) of F&M Bank - Kiel's Competitors				
Bank Name	Main Office Location	Branch Office Location	Asset Size as of June 30, 1996	LTD Ratio (%)
State Bank of Chilton	Chilton	n/a	62,209	75.19
State Bank of Howards Grove	Howards Grove	n/a	39,930	73.02
First National Bank in Manitowoc	Manitowoc	Kiel	272,361	85.83
First Northern Savings Bank, S.A.	Green Bay	Kiel	579,075	115.53
Community Bank	Sheboygan	Elkhart Lake	114,153	70.42
M&I Bank Fox Valley	Appleton	New Holstein	634,136	79.81

As the preceding chart illustrates, the bank's loan-to-deposit ratio compares favorably to its competitors. While local competition is strong due to the large number of banks located in the area, the bank's local customer base has remained stable and its loan-to-deposit ratio is high. Considering the bank's financial condition, strong local competition, and lending opportunities available in the assessment area, the bank's loan-to-deposit ratio exceeds the standards for satisfactory performance.

Lending in Assessment Area

The bank's performance in lending within the assessment area during a six-month period (April, 1996 through September, 1996) was reviewed. The distribution of the loans made during this period is as follows:

LOAN TYPE	TOTAL SAMPLED	WITHIN THE ASSESSMENT AREA	PERCENT OF TOTAL
Commercial/Agricultural	63	58	92
Consumer Single-Payment	26	20	77
Consumer Installment	126	91	72
General Real Estate	61	48	79
Other Loans	2	2	100
TOTAL	278	219	79

As the preceding chart illustrates, the substantial majority (approximately 79%) of the loans sampled were made within the assessment area, indicating that the bank's performance under this criterion exceeds the standards for satisfactory performance.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

An analysis of the bank's lending to small businesses, small farms, and borrowers of different incomes was performed to assess the bank's performance under this criterion. The bank prepared a report detailing small business (commercial) and small farm loans originated during a six-month period (April, 1996 through September, 1996). Small businesses are defined as those with annual revenues of \$1 million or less, and small farms are defined as those with annual revenues of \$500,000 or less. The bank's report revealed that 97% (32 of 33) of business loans were made to small businesses, and that all seven farm loans were made to small farms.

A report listing 54 consumer real estate loans, by income level, originated between April, 1996 and September, 1996 revealed that seven of the 54 loans (approximately 13%) were made to low- or moderate-income borrowers.

Because the bank does not consistently collect applicant income information for consumer installment and single-payment loans, an analysis using loan amount as a proxy was conducted to assess the bank's performance with respect to consumer loan originations. Loans in amounts of \$1,000 or less were used to analyze the bank's lending activity; loans of this size may be characteristic of loan requests from low- or moderate-income individuals. Approximately 27% (7 of 26) of single-payment loans and 6.8% (11 of 163) of installment loans sampled were in amounts of \$1000 or less.

The analysis of the bank's lending reflects a strong performance in making loans to borrowers of different income levels and businesses of different sizes, particularly to small businesses and small farms.

GEOGRAPHIC DISTRIBUTION OF LOANS

The bank's assessment area consists of one upper-income and 10 middle-income BNAs. There are no designated low- or moderate-income geographies located in the assessment area in which lending activity could be analyzed; therefore, this criterion is not rated.

RESPONSE TO COMPLAINTS

No CRA-related complaints have been received by the bank since it became a member of the Federal Reserve System.