



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

July 12, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

American National Bank of Minnesota
Charter Number: 24219

1920 South Sixth Street
Brainerd, MN 56401

Office of the Comptroller of the Currency

Minneapolis Field Office
222 South Ninth Street Suite 800
Minneapolis, Minnesota 55402

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 Needs to Improve.**The Lending Test is rated: Satisfactory****The Community Development Test is rated: Needs to Improve**

The major factors supporting this rating include:

- The bank's community development activities demonstrate poor responsiveness to the community development needs of the assessment areas.
- The bank's net loan-to-deposit (LTD) ratio is more than reasonable given the bank's size, financial condition, and the credit needs of the assessment area.
- A majority of loan originations were made within the bank's assessment areas.
- The overall distribution of loans reflects a reasonable penetration among borrowers of different income levels and businesses of different sizes.
- The distribution of loans reflects a reasonable dispersion throughout the bank's assessment areas.

Scope of Examination

We evaluated American National Bank of Minnesota's (ANBM) Community Reinvestment Act (CRA) performance under the lending and community development tests. We focused our assessment on the bank's primary loan products in each of the three assessment areas based on loan originations by number and dollar volume from January 1, 2008 through June 30, 2010. The following table shows primary products for each assessment area by number and dollar volume, and their corresponding percentages within those assessment areas. Residential lending is not a primary product for the St. Cloud assessment area.

Primary Products by Assessment Area								
Assessment Area	Commercial Lending				Residential Mortgage Lending			
	Number		Dollar Volume (000)		Number		Dollar Volume (000)	
	#	%	\$	%	#	%	\$	%
Northern MN	241	34	29,418	58	176	24	18,296	36
Western MN	152	34	14,742	66	92	20	5,517	25
St. Cloud	32	45	16,967	90	15	21	1,461	8

The Community Development Test covered community development loans, investments, and services during the entire evaluation period, November 1, 2004 through June 30, 2010. We used only those that met the regulatory definition for community development in our analysis of the Community Development Test.

Prior to conducting this evaluation, we tested the accuracy of the bank's home mortgage loan data. We determined the loan data to be accurate and it is used without exception in this evaluation. In addition, we reviewed a random sample of 40 business loans to determine the bank's lending activity within the MSA and Non-MSA assessment areas.

We used Call Report information to determine the bank's quarterly loan-to-deposit ratio, and annual deposit information reported to the Federal Deposit Insurance Corporation (FDIC) to find similarly situated banks. The most recent deposit information is as of June 30, 2010.

The combined Non-MSA assessment area carried the most weight in assigning the overall ratings for the bank. The combined Non-MSA assessment area contains six of the seven ANBM branches, 89 percent of deposits, and 79 percent of loan originations.

Description of Institution

ANBM is a \$322 million intrastate bank headquartered in Brainerd, Minnesota. ANBM is wholly owned by American Bancorporation of Minnesota, LLC, a one-bank holding company. As of June 30, 2010, the bank had net loans of \$230 million, representing 71 percent of total assets and 86 percent of total deposits. On the same date, Tier 1 Capital totaled \$32 million or 10.26 percent of average assets. The loan portfolio is comprised of commercial (72 percent), residential mortgage (24 percent), consumer (2 percent), and other loans (2 percent).

ANBM operates 1 branch in the St. Cloud MSA #41060 and 6 branch locations in the non-MSA counties of Becker, Cass, Crow Wing, Douglas, and Otter Tail. No branches have opened since the last CRA examination. The bank closed their Elk River and Brainerd branches on April 1, 2009 due to their unprofitability. The bank has no deposit taking ATM's.

ANBM is a full service bank offering a wide range of products and services for individuals and businesses. Commercial and residential mortgage lending are the bank's primary business focus.

There are no legal, financial, or other factors that impede the bank's ability to help meet the credit needs in its assessment areas. ANBM received a Satisfactory rating on its last CRA evaluation dated October 31, 2004.

Description of Assessment Areas

ANBM has three assessment areas in Minnesota: St. Cloud, Northern Minnesota, and Western Minnesota. For sampling and analysis purposes, we combined the Western Minnesota and Northern Minnesota assessment areas as they are geographically close and have similar performance contexts.

Combined Non-MSA Assessment Areas of Northern and Western Minnesota

ANBM operates 6 branch locations out of their two Non-MSA assessment areas. The Northern Minnesota assessment area is comprised of 23 contiguous census tracts located in the counties of Cass, Crow Wing, and Hubbard. The Western Minnesota assessment area is comprised of 35 contiguous census tracts located in the counties of Becker, Douglas, Grant, Otter Tail, Pope, Todd, and Wilken. Both assessment areas consist of the census tracts where the bank's branches are located, as well as the surrounding census tracts where the bank has originated a majority of its loans. Both assessment areas meet the requirements of the regulation and do not arbitrarily exclude any low- or moderate-income census tracts. The following table shows demographic information for the combined Non-MSA assessment areas:

Demographic Information for the Non-MSA Assessment Areas					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	58	0.00	10.34	89.66	0.00
Population by Geography	208,731	0.00	10.24	89.76	0.00
Owner-Occupied Housing by Geography	125,545	0.00	8.67	91.33	0.00
Businesses by Geography	26,727	0.00	11.12	88.88	0.00
Farms by Geography	2,067	0.00	4.02	95.98	0.00
Family Distribution by Income Level	58,250	18.92	20.58	25.31	35.19
Household Distribution by Income Level	83,457	23.88	17.14	20.90	38.08
Median Family Income		\$43,921	Median Housing Value		\$99,516
Census MSA Median Family Income		\$45,608	Families Below the Poverty Level		6.91%
HUD Updated Median Family Income for 2010		\$58,500	Unemployment Rate		2.64%

Source: 2000 U.S. Census Data

The local economy is experiencing similar recessionary challenges to those facing the state and national economies. Unemployment rates in both assessment areas exceed the state average of 8 percent. According to U.S. Bureau of Labor Statistics, December 31, 2009 unemployment rates in the Non-MSA counties ranges from 8.3 percent to 10.8 percent.

Economic activity in the assessment areas is centered in the services industry. Based upon 2009 Business Geodemographic Data, services comprise 43.86 percent of activity, followed by retail trade at 11.27 percent.

Competition from other financial institutions is high. ANBM ranks fourth in deposit market share among 62 financial institutions. ANBM has a deposit market share of 4.24 percent or \$215 million.

During our examination, we contacted two local organizations to better understand the

credit needs of the community. Both contacts indicated that financial institutions are meeting the credit needs of the community. Affordable housing for low- and moderate-income individuals is needed in both assessment areas.

St. Cloud Assessment Area

ANBM operates one branch in the St. Cloud MSA assessment area. This assessment area is comprised of 27 contiguous census tracts located in the counties of Benton and Stearns. This assessment area consists of the census tract where the bank's branch is located and the surrounding census tracts in which the bank can reasonably service. This assessment area meets the requirement of the regulation and does not arbitrarily exclude any low- or moderate-income census tracts. The following table shows demographic information for the St. Cloud assessment area:

Demographic Information for the St. Cloud Assessment Area					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	27	3.70	11.11	70.37	14.82
Population by Geography	139,410	0.79	9.20	67.96	22.05
Owner-Occupied Housing by Geography	35,452	0.00	6.39	70.80	22.81
Businesses by Geography	13,309	4.38	8.87	65.88	20.87
Farms by Geography	904	0.33	0.77	87.06	10.85
Family Distribution by Income Level	33,414	14.97	18.80	27.26	38.97
Household Distribution by Income Level	50,532	20.44	17.15	21.57	40.84
Median Family Income		\$53,795	Median Housing Value		\$104,794
Census MSA Median Family Income		\$51,474	Families Below the Poverty Level		8.77%
HUD Updated Median Family Income for 2010		\$67,000	Unemployment Rate		2.11%

Source: 2000 US Census Data

The local economy is experiencing similar recessionary challenges to those facing the state and national economies. According to the U.S. Bureau of Labor Statistics, December 31, 2009 unemployment levels in the St. Cloud MSA are in line with the state average of 8 percent.

Economic activity in the assessment area is centered in the services industry. Based upon 2009 Business Geodemographic Data, services comprise 45.4 percent of activity, followed by retail trade at 12.09 percent.

Competition from other financial institutions in this assessment area is high. ANBM ranks 23rd in deposit market share among 35 financial institutions. ANBM has a deposit market share of 1.46 percent or \$51 million.

Conclusions with Respect to Performance Tests

Lending Test

The bank's performance under the Lending Test is Satisfactory.

Loan-to-Deposit Ratio

ANBM's net loan-to-deposit (LTD) ratio is more than reasonable given the bank's size, financial condition, and the credit needs of the assessment area. The bank's LTD ratio averaged 108.43 percent over the 22 quarters since the last CRA examination. This ratio ranged from a quarterly low of 97.71 percent (1Q10) to a quarterly high of 115.89 percent (1Q09). It is also notable that ANBM's average LTD ratio does not reflect all home mortgage lending activities, as the bank sells mortgages in the secondary market. The following table shows LTD details and rankings:

Institution	Assets (000s) (As of 3/31/10)	Average Loan-to-Deposit Ratio (4Q04 – 1Q10)
Midwest Bank	\$251,787	109.66
American NB of Minnesota	\$299,354	108.43
Bremer Bank	\$352,172	97.05
First National Bank of Deerwood	\$233,171	93.07
First National Bank of Walker	\$268,120	84.65

Source: Call Report Data

Lending in Assessment Area

ANBM originates a majority of its loans to borrowers within its assessment areas. Loans originated to businesses and individuals within the bank's assessment areas total 59 percent by number and 63 percent by dollar volume. The following table shows lending in the assessment areas by product type:

Lending in Assessment Areas										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Loans	147	58	108	42	255	14,283	66	7,374	34	21,657
Business Loans	15	75	5	25	20	1,608	46	1,886	54	3,494
Totals	162	59	113	41	275	15,891	63	9,260	37	25,151

Source: OCC loan sample & HMDA Data from January 1, 2008 – June 30, 2010

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

The overall distribution of loans reflects a reasonable penetration among borrowers of

different income levels and businesses of different sizes.

Performance in the Combined Non-MSA Assessment Areas

The borrower distribution of loans in the combined Non-MSA assessment area is reasonable.

Home Loans

The distribution of home loans reflects reasonable penetration among borrowers of different income levels. More weight was given to home refinance loans as they represent 63 percent of all home loans originated within the assessment area. The bank has a reasonable penetration among low-income borrowers for all three home product types given the assessment area’s poverty rate of 8.77 percent. The bank has poor penetration among moderate-income borrowers for home purchase loans, but excellent penetration among moderate-income borrowers for both home refinance and home improvement loans. The following table shows the distribution of home loan products among borrowers of different income levels:

Borrower Distribution of Residential Real Estate Loans in the Non-MSA Assessment Areas								
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	18.92	9.09	20.58	9.09	25.31	21.21	35.19	60.61
Home Refinance	18.92	16.67	20.58	33.33	25.31	27.78	35.19	22.22
Home Improvement	18.92	15.29	20.58	24.71	25.31	34.12	35.19	25.88

Source: 2000 U.S. Census Data & HMDA Data from January 1, 2008 – June 30, 2010

Business Loans

The distribution of loans to businesses reflects reasonable penetration among businesses of different sizes. The bank originated 65 percent by number and 78.69 percent by dollar volume of loans during the evaluation period to businesses with gross annual revenues of \$1.0 million or less. This is considered reasonable compared to demographic data that shows 76.54 percent of the assessment area businesses have gross annual revenues of \$1.0 million or less. The following table shows the distribution of commercial loans among businesses of different sizes in the assessment area:

Borrower Distribution of Loans to Businesses in the Combined Non-MSA Assessment Areas				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	76.54	2.92	20.54	100%

% of Bank Loans in AA by #	65.00	25.00	10.00	100%
% of Bank Loans in AA by \$	78.69	18.73	2.58	100%

Source: OCC Loan Sample & 2009 Business Geodemographic Data

Performance in the St. Cloud Assessment Area

The borrower distribution of loans in the St. Cloud assessment area is reasonable.

Business Loans

The distribution of loans to businesses reflects reasonable penetration among businesses of different sizes. The bank originated and purchased 70 percent by number of loans during the evaluation period to businesses with gross annual revenues of \$1.0 million or less. This is considered reasonable compared to demographic data that shows 77.34 percent of the assessment area businesses have gross annual revenues of \$1.0 million or less. The following table shows the distribution of commercial loans among businesses of different sizes in the assessment area:

Borrower Distribution of Loans to Businesses in the St. Cloud Assessment Area				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	77.34	5.16	17.50	100%
% of Bank Loans in AA by #	70.00	30.00	0.00	100%
% of Bank Loans in AA by \$	48.81	51.19	0.00	100%

Source: OCC Loan Sample & 2009 Business Geodemographic Data

Geographic Distribution of Loans

The distribution of loans reflects a reasonable dispersion throughout the bank’s assessment areas.

Performance in the Combined Non-MSA Assessment Areas

The geographic distribution of loans in this assessment area reflects an excellent dispersion throughout census tracts of different income levels.

Home Loans

The geographic distribution of home loans reflects an excellent dispersion throughout census tracts of different income levels. Lending in the moderate-income census tracts exceeded demographic comparators for all three home loan products. The following table shows the distribution of home loan products among census tracts of different income levels:

Geographic Distribution of Residential Real Estate Loans in the Non-MSA Assessment Areas				
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	0.00	0.00	8.67	11.11	91.33	88.89	0.00	0.00
Home Refinance	0.00	0.00	8.67	27.78	91.33	72.22	0.00	0.00
Home Improvement	0.00	0.00	8.67	11.83	91.33	88.17	0.00	0.00

Source: 2000 U.S. Census data & HMDA Data from January 1, 2008 – June 30, 2010

Business Loans

The geographic distribution of business loans reflects an excellent dispersion throughout census tracts of different income levels. ANBM’s distribution of business loans in moderate-income census tracts exceeds the demographics for this assessment area. The following table shows the bank’s performance as compared to the percentage of businesses in each census tract income level:

Geographic Distribution of Loans to Businesses in the Non-MSA Assessment Areas								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Business	0.00	0.00	11.12	15.00	88.88	85.00	0.00	0.00

Source: OCC Loan Sample & 2009 Business Geodemographic Data.

Performance in the St. Cloud Assessment Area

The geographic distribution of loans in this assessment area is very poor.

Business Loans

The geographic distribution of business loans reflects a very poor dispersion throughout census tracts of different income levels. ANBM’s distribution of business loans in low- and moderate-income census tracts is significantly lower than the demographics for this assessment area. The bank’s St. Cloud branch is located in a moderate-income census tract. There are several other banks with a presence in the low- and moderate-income census tracts which makes lending within those census tracts challenging. The following table shows the bank’s performance as compared to the percentage of businesses in each census tract income level:

Geographic Distribution of Loans to Businesses in the St. Cloud Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Business	4.38	0.00	8.87	0.00	65.88	85.00	20.87	15.00

Source: OCC Loan Sample & 2009 Business Geodemographic Data

Responses to Complaints

ANBM has not received any CRA complaints during this evaluation period.

Community Development Test

ANBM’s performance under the Community Development Test is rated Needs to Improve. ANBM’s community development activities demonstrate poor responsiveness to the community development needs of the assessment area, considering the bank’s capacity and the need and availability of community development opportunities. Affordable housing was identified as the primary community development need of the assessment areas.

Since the last CRA examination, there have been some opportunities for community development involvement, both at the local level as well as at the broader state or regional level.

Number and Amount of Community Development Loans

The bank’s level of community development lending needs improvement. ANBM originated only two community development loans in the Northern Minnesota assessment area totaling \$38,790 since the last examination. These loans were to fund start-up businesses that would bring jobs to the assessment area.

Number and Amount of Qualified Investments

ANBM has not made any qualified investments since the last examination.

Extent to Which the Bank Provides Community Development Services

ANBM provides a low level of community development services targeted to low- and moderate-income individuals. During the evaluation period, four bank employees provided financial expertise and /or leadership services to ten community development organizations serving the assessment areas.

Fair Lending or Other Illegal Credit Practices Review

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