



## **PUBLIC DISCLOSURE**

November 12, 2013

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

American National Bank of Minnesota  
Charter Number 24219

7638 Woida Road  
Baxter, MN 56425

Office of the Comptroller of the Currency

222 South 9th St.  
Suite 800  
Minneapolis, MN 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 Satisfactory.**

The major factors supporting this rating include:

- American National Bank of Minnesota's (ANBM) net loan-to-deposit (LTD) ratio is reasonable given the bank's size and financial condition, and the credit needs of the assessment area.
- ANBM originated a majority of its loans within its assessment areas (AA).
- 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 ANBM's Community Reinvestment Act (CRA) lending performance based on loan originations from January 1, 2011 through September 30, 2013 (evaluation period). We focused our assessment on the bank's primary loan products in each AA. ANBM has designated three AAs in Minnesota: the St. Cloud MSA, Northern Minnesota, and Western Minnesota. For sampling and analysis purposes, we combined the Western Minnesota and Northern Minnesota Non-MSA AAs (MN non-MSA AA) as they are geographically close and have similar performance contexts.

We selected the MN non-MSA AA for a full scope review and completed a limited scope review of the St. Cloud MSA AA. In assessing ANBM's CRA performance, we placed the most weight on the MN non-MSA AA because it represented 79 percent of the bank's total deposit base and 91 percent of loan originations and purchases during the evaluation period. In addition, this AA contains 86 percent of the bank's branches.

The following table shows primary products for the MN Non-MSA and St. Cloud MSA AAs by number and dollar volume during the evaluation period, in addition to their corresponding percentages within those AAs. Commercial lending carried more weight in the assessment of the MN non-MSA than residential mortgage lending since it represents the largest percentage of loan volume in that AA by both number and dollars. Commercial lending is the only primary product for the St. Cloud MSA AA.

Primary Products by Assessment Area								
Assessment Area	Commercial Lending				Residential Mortgage Lending			
	Number		Dollar Volume (000)		Number		Dollar Volume (000)	
	#	%	\$	%	#	%	\$	%
MN Non-MSA	257	24.04	32,959,266	44.40	238	22.26	32,921,884	44.35
St. Cloud MSA	27	34.18	4,673,005	63.22	NA	NA	NA	NA

Our analysis was divided into two time (analysis) periods due to the 2010 census data being published. We analyzed the bank's lending performance using 2000 census data for comparison purposes for loans that were originated from January 1, 2011 to December 31, 2011. We used 2010 census data for comparison purposes for loans that were originated from January 1, 2012 to September 30, 2013. We previously tested the collected and reported HMDA data and found the information to be unreliable. Therefore, we relied on loan sampling to complete the examination. We selected a random sample of 20 loans from each primary product in each time period. Additional loans were selected as needed to have sufficient information to analyze borrower and geographic distributions within each AA. Given that a majority of the bank's lending occurred in 2012-2013, this analysis was given more weight in the assessment of performance.

We used call report information to determine the bank's quarterly loan-to-deposit ratio from June 30, 2010 through September 30, 2013. The Federal Deposit Insurance Corporation's (FDIC) June 30, 2013 annual deposit information was used to determine market share and identify similarly situated banks.

## **Description of Institution**

ANBM is a \$251 million national bank headquartered in Baxter, Minnesota. ANBM is wholly owned by American Bancorporation of Minnesota Inc., a one-bank holding company headquartered in Brainerd, Minnesota. ANBM operates one branch in the St. Cloud MSA #41060 and six 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. ANBM does not own any automatic teller machines (ATMs).

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. As of September 30, 2013, the bank had gross loans and leases of \$168 million, representing 67 percent of total assets. At that time, the loan portfolio was comprised of approximately \$109 million in commercial and commercial real estate loans (64 percent), \$55 million in residential real estate mortgage loans (33 percent), and 3 million in consumer loans (2 percent). The bank's investments as of September 30, 2013 equaled \$41 million, or 16 percent of total assets, and were comprised of approximately \$25 million in US Treasury and Agency securities, \$7 million in municipal obligations, \$5 million in interest-bearing bank balances and \$4 million in Federal Funds Sold.

ANBM received a Needs to Improve rating on its last CRA evaluation dated July 12, 2010. There are no legal, financial, or other factors that impede the bank's ability to help meet the credit needs in its assessment areas.

## Description of Assessment Areas

### MN non-MSA assessment area

The MN non-MSA AA includes the combination of the non-adjacent non-MSA areas of Northern and Western Minnesota. ANBM operates six branch locations in this AA. The Northern Minnesota portion of the AA is comprised of 29 contiguous census tracts located in the counties of Cass, Crow Wing, and Hubbard. The Western Minnesota portion is comprised of 38 contiguous census tracts located in the counties of Becker, Douglas, Grant, Otter Tail, Pope, Todd, and Wilken. The AA consists 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. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income census tracts. The following table shows demographic information for the combined Non-MSA AA:

<b>Demographic Information for the Non-MSA Assessment Area</b>	<b>2000</b>	<b>2010</b>
<b>Population</b>		
Number of Families	59,832	66,912
Number of Households	85,637	99,114
% of Low-Income Families	18.97%	19.59%
% of Moderate-Income Families	20.61%	19.36%
% of Middle-Income Families	25.30%	23.96%
% of Upper-Income Families	35.12%	37.09%
<b>Geographies</b>		
Number of Census Tracts	60	67
% of Low-Income Census Tracts	0.00%	0.00%
% of Moderate-Income Census Tracts	10.00%	14.93%
% of Middle-Income Census Tracts	90.00%	79.10%
% of Upper-Income Census Tracts	0.00%	5.97%
<b>Median Family Income (MFI)</b>		
2011 HUD – Estimated MFI		\$59,200
2012 FFIEC – Estimated MFI		\$60,000
2013 FFIEC – Estimated MFI		\$61,700
<b>Economic Indicators</b>		
2011 Average Unemployment Rate		7.03%
2012 Average Unemployment Rate		6.14%
2013 Average Unemployment Rate through October 2013		4.45%
Median Housing Value	\$99,479	\$188,964
% of Households Below Poverty Level	10.80%	11.99%

Source: 2000 and 2010 US Census

Major employers in the AA are healthcare and education employers. Average unemployment rates in the Non-MSA AA exceeded the state unemployment rates of 5.8 percent in 2011 and 5.4 percent in 2012. As of October 2013, the Bureau of Labor Statistics reports Minnesota's unemployment rate at 4.8 percent. Reflecting an improvement from the previous two years, the average AA unemployment rate as of October 2013 is now less than the state average.

Economic activity in the AA is centered in the services industry. Based upon 2013 Business Geodemographic Data, services comprise 41.48 percent of activity, followed by retail trade at 11.72 percent.

Competition from other financial institutions is high. ANBM ranks twelfth in deposit market share among 57 financial institutions. ANBM has a deposit market share of 2.93 percent or \$206 million.

In order to gather current information on the community and potential lending opportunities in the area, we contacted a community leader. We discussed with the community contact whether financial institutions in the area were meeting the credit needs of the community. The contact indicated that financial institutions are meeting the credit needs of the community. She stated that the primary credit need is for loans to low- and moderate-income households.

### **St. Cloud MSA Assessment Area**

ANBM operates one branch in the St. Cloud MSA AA (MSA AA). This AA is comprised of 31 contiguous census tracts located in the counties of Benton and Stearns. This AA contains the census tract where the bank's branch is located and the surrounding census tracts in which the bank can reasonably service. This AA meets the requirement of the regulation and does not arbitrarily exclude any low- or moderate-income census tracts. The table on the following page shows demographic and economic information for ANBM's MSA AA.

<b>Demographic Information for the St. Cloud MSA Assessment Area</b>	<b>2000</b>	<b>2010</b>
<b>Population</b>		
Number of Families	34,425	39,694
Number of Households	51,970	61,393
% of Low-Income Families	15.11%	18.47%
% of Moderate-Income Families	18.87%	16.69%
% of Middle-Income Families	27.23%	25.87%
% of Upper-Income Families	38.79%	38.98%
<b>Geographies</b>		
Number of Census Tracts	28	32
% of Low-Income Census Tracts	3.57%	0.00%
% of Moderate-Income Census Tracts	10.71%	15.63%
% of Middle-Income Census Tracts	71.43%	75.00%
% of Upper-Income Census Tracts	14.29%	9.38%
<b>Median Family Income (MFI)</b>		
2011 HUD – Estimated MFI		\$68,400
2012 FFIEC – Estimated MFI		\$69,300
2013 FFIEC – Estimated MFI		\$65,800
<b>Economic Indicators</b>		
2011 Average Unemployment Rate		6.75%
2012 Average Unemployment Rate		5.80%
2013 Average Unemployment Rate through October 2013		4.50%
Median Housing Value	\$104,163	\$180,101
% of Households Below Poverty Level	8.78%	13.41%

Source: 2000 and 2010 US Census

Major employers in the MSA AA are construction and healthcare. According to the U.S. Bureau of Labor Statistics, October 31, 2013 unemployment levels in the St. Cloud MSA are in line with the state average of 4.80 percent.

Economic activity in the AA is centered in the services industry. Based upon 2013 Business Geodemographic Data, services comprise 41.48 percent of activity, followed by retail trade at 11.72 percent.

Competition from other financial institutions in this AA is high. ANBM ranks 25th in deposit market share among 33 financial institutions. ANBM has a deposit market share of 1.04 percent or \$43 million.

## Conclusion with Respect to the Performance Test

### 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 reasonable given the bank's size, financial condition, and lending opportunities available. ANBM's LTD ratio averaged 84.18 percent over the 14 quarters since the last CRA examination. This ratio ranged from a quarterly low of 76.95 percent (4Q11) to a quarterly high of 86.32 percent (2Q10). The average LTD ratio for similarly situated banks, exclusive of ANBM's LTD ratio, is 78.82 percent, slightly below that of ANBM.

The following table depicts the average LTD ratios of similarly situated banks, defined as banks in the AA with total assets ranging from \$134 million to \$481 million.

Institution	Assets (000s) (As of 9/30/13)	Average Loan-to-Deposit Ratio (2Q10 - 3Q13)
Midwest Bank	\$336,734	99.36
<b>American NB of Minnesota</b>	<b>\$250,876</b>	<b>84.18</b>
First National Bank of Deerwood	\$259,459	83.22
Riverwood Bank	\$300,257	82.56
United Community Bank	\$243,337	65.43
Minnesota National Bank	\$204,577	63.52

*Source: Call Report Data*

### Lending in Assessment Area

ANBM originates the majority of its loans inside the AA. Loans originated to businesses and individuals within the bank's AA total 81 percent by number and 65 percent by dollar volume. The table on the following page shows lending activities within the AAs during the evaluation period.

<b>Lending in Assessment Areas</b>										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential - 2011	18	90	2	10	20	\$1,463	95	\$81	5	\$1,544
Commercial - 2011	17	85	3	15	20	\$1,457	28	\$3,782	72	\$5,239
Residential - 2012/2013	18	90	2	10	20	\$1,724	93	\$124	7	\$1,848
Commercial - 2012/2013	28	70	12	30	40	\$4,867	82	\$1,069	18	\$5,936
<b>Totals</b>	<b>81</b>	<b>81</b>	<b>19</b>	<b>19</b>	<b>100</b>	<b>\$9,511</b>	<b>65</b>	<b>\$5,056</b>	<b>35</b>	<b>\$14,567</b>

Source: 1/1/2011-9/30/2013 residential and commercial loan samples

### 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 MN Non-MSA Assessment Area

The borrower distribution of loans in the MN Non-MSA AA is reasonable.

#### *Business Loans*

In 2012/2013, the distribution of loans shows reasonable penetration to businesses of different sizes. The bank originated 90 percent by number and 93.77 percent by dollar volume of loans during the analysis period to businesses with 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 AA:

<b>2012/2013 - Borrower Distribution of Loans to Businesses in the MN Non-MSA Assessment Area</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	77.78	3.07	19.16	100%
% of Bank Loans in AA by #	90.00	10.00	0.00	100%
% of Bank Loans in AA by \$	93.77	6.23	0.00	100%

Source: OCC Loan Sample & 2012/2013 Business Geodemographic Data

In 2011, the distribution of loans reflects excellent penetration to businesses of different sizes. The bank originated 100 percent by number and 100 percent by dollar volume of loans during the analysis period to businesses with gross annual revenues of \$1.0 million or less. The table on the following page shows the distribution of commercial loans among businesses of different sizes in the AA:

<b>2011 - Borrower Distribution of Loans to Businesses in the MN Non-MSA Assessment Area</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	73.92	2.30	23.78	100%
% of Bank Loans in AA by #	100.00	0.00	0.00	100%
% of Bank Loans in AA by \$	100.00	0.00	0.00	100%

Source: OCC Loan Sample & 2011 Business Geodemographic Data

**Residential Real Estate Loans**

In 2012/2013, the bank had excellent penetration among borrowers of different income levels. ANBM's lending to low-income borrowers significantly exceeds the demographic comparator. Lending to moderate-income borrowers is slightly below the demographic. The following table compares the bank's residential real estate lending activities by the borrower income level to the local demographics.

<b>2012/2013 -Borrower Distribution of Residential Real Estate Loans in the MN Non-MSA Assessment Area</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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
Residential Real Estate	19.59	30.00	19.36	15.00	23.96	20.00	37.09	35.00

Source: 2010 U.S. Census Data; residential loan sample from January 1, 2012 – October 31, 2013

In 2011, the bank had reasonable penetration among borrowers of different income levels. The bank exceeds the demographic to low-income borrowers and is below the demographic for moderate-income borrowers. The following table compares the bank's residential real estate lending activities by the borrower income level to the local demographics.

<b>2011 -Borrower Distribution of Residential Real Estate Loans in the MN Non-MSA Assessment Areas</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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
Residential Real Estate	18.97	20.00	20.61	15.00	25.30	30.00	35.12	35.00

Source: 2000 U.S. Census Data; residential loan sample January 1, 2011 – December 31, 2011

**Borrower Distribution Conclusions for Areas Receiving Limited Scope Review**

Performance in the St. Cloud MSA Assessment Area

Based on a limited scope review, ANBM’s borrower distribution performance in the MSA AA is not consistent with the bank’s satisfactory performance in the MN non-MSA AA given minimal lending volume during the two analysis periods.

**Geographic Distribution of Loans**

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

Performance in the MN Non-MSA Assessment Area

The geographic distribution of loans in this AA reflects reasonable dispersion throughout census tracts of different income levels. There are no low-income tracts located in this AA.

*Business Loans*

The geographic distribution of business loans reflects reasonable dispersion throughout census tracts of different income levels. ANBM’s distribution of business loans in moderate-income census tracts significantly exceeds the demographics in the 2012/2013. For the year 2011, the bank did not originate any loans in moderate-income census tracts according to our OCC loan sample. However, the demographic comparator for moderate-income tracts was low at 10.26 percent, indicating opportunities to lend to businesses located in these census tracts are limited. In addition, competition from other institutions in the AA is high. Also, more weighting was given to the 2012/2013 analysis period for an overall conclusion with respect to this performance test. The following tables show the bank’s performance as compared to the percentage of businesses in each census tract income level:

<b>2012/2013 Geographic Distribution of Loans to Businesses in the MN Non-MSA Assessment Area</b>								
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	16.38	35.00	78.22	60.00	5.40	5.00

*Source: OCC Loan Sample & 2012 Business Geodemographic Data.*

<b>2011 Geographic Distribution of Loans to Businesses in the MN Non-MSA Assessment Area</b>								
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	10.26	0.00	89.74	100.00	0.00	0.00

Source: OCC Loan Sample & 2011 Business Geodemographic Data.

**Residential Real Estate Loans**

The geographic distribution of residential real estate loans reflects excellent dispersion throughout census tracts of different income levels. ANBM significantly exceeded the demographic comparator for moderate-income census tracts for both the 2012/2013 and 2011 analysis periods. The following tables show the distribution of residential real estate loans among census tracts of different income levels:

<b>2012/2013 Geographic Distribution of Residential Real Estate Loans in the MN Non-MSA Assessment Areas</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
Residential Real Estate	0.00	0.00	12.68	23.33	80.16	75.00	7.16	1.67

Source: 2010 U.S. Census data; residential loan sample from January 1, 2012 – October 31, 2013

<b>2011 Geographic Distribution of Residential Real Estate Loans in the MN Non-MSA Assessment Areas</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
Residential Real Estate	0.00	0.00	8.45	30.00	91.55	70.00	0.00	0.00

Source: 2000 U.S. Census Data; residential loan sample from January 1, 2011 – December 31, 2011

## **Geographic Distribution Conclusions for Areas Receiving Limited Scope Review**

### **Performance in the St. Cloud MSA Assessment Area**

Based on a limited scope review, ANBM's borrower distribution performance in the MSA AA is not consistent with the bank's satisfactory performance in the MN non-MSA AA given minimal lending volume during the two analysis periods.

### **Responses to Complaints**

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

## **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. § 25.28(c), in determining a national bank's CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or in any AA 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.