



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

November 18, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

American National Bank
Charter Number 22841

116 N. Kiel Street
Holstein, IA 51025-0000

Office of the Comptroller of the Currency

Sioux Falls Field Office
4900 S Minnesota Avenue, Suite 300
Sioux Falls, SD 57108

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"

- American National Bank (ANB) meets the credit needs of the community, as demonstrated by its excellent quarterly average loan-to-deposit ratio of 117 percent since the bank's last CRA examination.
- A majority of ANB's loans by both number (87 percent) and dollar volume (78 percent) were made to borrowers located within the defined assessment areas (AA).
- ANB's distribution of loans represents a reasonable penetration among families of different income levels and farms of different sizes.

SCOPE OF EXAMINATION

This examination covers CRA-related activities from February 20, 2003 through November 18, 2008. Based on an analysis of the primary products in each of ANB's AA, examiners considered agricultural, home purchase, home refinances, and home improvement loans in the both the Woodbury AA and the Cherokee/Ida/Plymouth/Sac AA. Examiners reviewed 60 agricultural loans and used the bank's 2006, 2007, and 2008 (through September 30, 2008) Home Mortgage Disclosure Act Loan Application Register to measure residential real estate lending performance in both AA. Due to lending concentrations, examiners assigned the greatest weight to agricultural lending activities. Examiners also reviewed the bank's CRA public file and conducted a community contact in each defined AA.

DESCRIPTION OF INSTITUTION

ANB is located in Holstein, Iowa, in Ida County approximately 50 miles east of Sioux City, Iowa in the northwestern part of the state. As of September 30, 2008, the bank's average assets totaled \$276 million. The bank has six branch locations throughout northwest Iowa. Branches are located in Galva, Sac City, Merville, Pierson and Kingsley. The bank also has nine ATMs. The bank has ATM locations at their Holstein, Merville, Sac City, Galva and Kingsley branches and has non-branch ATMs located at Casey's General Store in Holstein, 4 Way Stop Shop in Merville, Pronto Stores in Lawton, and Food Pride in Sac City. ANB is 100 percent owned by Ida Grove Bancshares, Inc., a \$1,067 million holding company in Ida Grove, IA. ANB was rated "Satisfactory" at the last CRA examination dated February 20, 2003.

As of September 30, 2008 ANB's loan portfolio comprised 86 percent of total assets. The bank's primary credit products are agricultural and residential real estate loans. There are no financial, legal, or other factors that impede the bank's ability to meet the credit needs of its AA. Table 1 shows the percentage of each loan type originated by dollar volume and number as of September 30, 2008.

Table 1- Loan Portfolio Mix (9/30/2008)	
Loan Type	% of Loan Portfolio
Agricultural Loans	65%
Commercial Loans	21%
Residential Real Estate Loans	12%
Consumer Loans	2%

Source: Call Report 9/30/2008.

DESCRIPTION OF ASSESSMENT AREA

Woodbury AA

The Woodbury AA includes the western portion of Woodbury County. This includes census tracts (CTs) 31, 32, and 35. All of Woodbury County is considered part of the Sioux City, Iowa metropolitan statistical area (MSA). All three of the bank's CTs are middle income CTs. This AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

According to the 2000 U.S. Census, the population of the AA is 13,159. The weighted average MSA median family income for the AA is \$55,600. The distribution of family incomes in this AA is 16 percent in the low-income category, 18 percent in the moderate-income category, 26 percent in the middle-income category, and 40 percent in the upper-income category. Approximately 7 percent of the households live below the poverty level. The median housing value is \$78,897 with 74 percent of housing being owner-occupied.

Cherokee, Ida, Plymouth, and Sac AA

The Cherokee, Ida, Plymouth, and Sac AA includes all of Ida and Sac Counties, southern Cherokee County and southeastern Plymouth County. This includes CTs 9901, 9902, and 9903 in Ida County, CTs 9801, 9802, 9803, and 9804 in Sac County, CTs 9803 and 9804 in Cherokee County, and CT 9705 in Plymouth County. All thirteen CTs in the AA fall into the middle-income category. This AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

According to the 2000 U.S. Census, the population of the AA is 27,098. The weighted average non-MSA median family income for the state of Iowa is \$53,500. The distribution of family incomes in this AA is 17 percent in the low-income category, 22 percent in the moderate-income category, 28 percent in the middle-income category, and 34 percent in the upper-income category. Approximately 9 percent of the households live below the poverty level. The median housing value is \$61,120 with 68 percent being owner-occupied.

The local economy for both AA is characterized as stable. The local economy remains centered primarily in agricultural and related industries. Major employers in the AA are centered in agriculture, manufacturing, meat processing, state and local government, retail, and education. According to the U.S. Bureau of Labor statistics, unemployment levels in the bank's AA are well below the national and state averages of 5.9 percent and 4.4 percent, respectively, for October 2008. As of October 2008, unemployment for the Woodbury AA was 1.53 percent and the rate for the Cherokee/Ida/Plymouth/Sac AA was 1.57 percent

Competition from other financial institutions is strong in the bank's AA. In total, there are 30 financial institutions operating in the combined AA. The bank's major competitors include a number of local community banks and branches of larger regional and national institutions. These institutions' in-market deposits range from \$3 million to \$434 million.

Examiners did not identify any unmet credit needs in either of the bank's AA. Examiners interviewed several community contacts who stated the primary credit need in both AA was agricultural financing. Community contacts felt the local financial institutions were doing a satisfactory job of meeting the financing needs in the AA.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

ANB's net loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and AA credit needs. Quarterly net loan-to-deposit ratio averaged 117 percent for the 23 quarters beginning March 31, 2003 and ending September 30, 2008. ANB's net loan-to-deposit ratio has remained relatively stable over the 23 quarters and totals 112 percent as of September 30, 2008.

The bank's net loan-to-deposit ratio compares very favorably with other community banks of similar size in the AA. For comparison, examiners used state and national banks operating in the defined AA with in-market deposits between \$29 million and \$184 million and total assets between \$53 million and \$234 million with agricultural lending concentrations. ANB ranks first among four similarly situated banks in the AA. The similarly situated banks had quarterly average net loan-to-deposit ratios of 81 percent ranging between 58 percent and 100 percent for the same 23 quarter period from March 31, 2003 to September 30, 2008.

Lending in Assessment Area

ANB originates a majority of its loans to borrowers located within its defined AA. Of loans originated from February 20, 2003 to September 30, 2008 for agricultural or residential real estate purposes, roughly 87 percent by number and 78 percent by dollar volume were made to borrowers within the bank's AA. Table 2 below shows primary product loans originated inside the AA by number and dollar volume.

Table 2- Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agricultural Loans	16	80%	4	20%	20	\$1,149	70%	\$492	30%	\$1,641
Home Purchase Loans	194	84%	38	16%	232	\$12,837	76%	\$3,979	24%	\$16,816
Home Refinance Loans	64	94%	4	6%	68	\$1,653	99%	\$19	1%	\$1672
Home Improvement Loans	403	88%	53	12%	456	\$32,317	79%	\$8,773	21%	\$41,090
Totals	677	87%	99	13%	776	\$47,956	78%	\$13,263	22%	\$61,219

Source: Loan sample, HMDA LAR data (2006-2008).

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

The distribution of loans reflects a reasonable penetration among families of different income levels and farms of different sizes. Lending in both AA approximates or exceeds community demographics

Performance in the Woodbury AA

The borrower distribution of loans in the Woodbury AA is excellent. Lending to small farms was excellent and exceeded community demographics. The distribution of home loans to borrowers of different income levels was more than reasonable and exceeded community demographics.

Agricultural Loans

Lending to farms of different sizes is excellent in the Woodbury AA. ANB’s agricultural lending exceeds community demographics in the Woodbury AA. One hundred percent of loans sampled in the AA were made to small farms with gross annual revenues of one million dollars or less. Table 3 below compares the bank’s agricultural lending activity by revenue size to community demographics.

Table 3 - Borrower Distribution of Loans to Farms in Woodbury AA				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	98.96	1.04	0.00	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: Loan sample

Home Loans

The distribution of home loans to families reflects excellent penetration in the Woodbury AA. ANB approximates the community demographics for low-income borrowers and exceeds the demographics for moderate-income borrowers. The bank has excellent penetration among low-income borrowers for home purchase loans. ANB had reasonable penetration among low-income borrowers for both home refinance and home improvement loans. The penetration among moderate-income borrowers in the AA is more than reasonable for home purchase and home improvement loans. ANB had excellent penetration among moderate-income borrowers for home refinance loans. Table 3A below shows the distribution of home loan products among borrowers of different income levels.

Table 3A - Borrower Distribution of Residential Real Estate Loans in Woodbury 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	15.66	25.49	18.4	27.45	25.98	23.53	39.95	23.53
Home Refinance	15.66	15.38	18.4	46.15	25.98	23.08	39.95	15.38
Home Improvement	15.66	12.50	18.4	22.73	25.98	25.00	39.95	39.77

Source: HMDA LAR data (2006-2008).

Performance in Cherokee/Ida/Plymouth/Sac AA (Non-MSA)

The borrower distribution of loans in the Cherokee/Ida/Plymouth/Sac AA is reasonable. Lending to small farms was reasonable and approximates community demographics. The distribution of home loans to borrowers of different income levels was reasonable and approximates community demographics.

Agricultural Loans

Lending to farms of different sizes is reasonable in the Cherokee/Ida/Plymouth/Sac AA. ANB's agricultural lending is generally comparable to community demographics in the Cherokee/Ida/Plymouth/Sac AA. Ninety percent of loans sampled in the AA were made to small farms with gross annual revenues of one million dollars or less. The dollar volume percentage is not as favorable when compared to census data; however, the number is heavily impacted by two large loans to large cattle operations. Table 4 below compares the bank's agricultural lending activity by revenue size to community demographics.

Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	98.93	0.49	0.51	100
% of Bank Loans in AA by #	90.00	10.00	0.00	100
% of Bank Loans in AA by \$	72.97	23.03	0.00	100

Home Loans

The distribution of home loans to families reflects reasonable penetration in the Cherokee/Ida/Plymouth/Sac AA. ANB approximates the community demographics for low-income borrowers and exceeds the demographics for moderate-income borrowers. ANB had reasonable penetration among low-income borrowers for both home purchase loans and home improvement loans. The bank's penetration among low-income borrowers for home refinance loans is below census demographics; however, the volume of home refinance originations is considerably less than the other two home loan products and the AA has an elevated poverty rate of 9.32 percent. The penetration among moderate-income borrowers in the AA is more than reasonable for all three home loan types. Table 4A below shows the distribution of home loan products among borrowers of different income levels.

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
Home Purchase	16.56	18.38	21.59	26.47	28.05	25.00	33.79	30.15
Home Refinance	16.56	8.16	21.59	26.53	28.05	26.53	33.79	38.78
Home Improvement	16.56	17.69	21.59	22.79	28.05	28.23	33.79	31.29

Source: HMDA LAR data (2006-2008).

Geographic Distribution of Loans

Analysis of geographic distributions is not meaningful as all CTs in both AA are middle-income tracts.

Responses to Complaints

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

Fair Lending or Other Illegal Credit Practices Review

We found the bank's fair lending performance to be satisfactory. We found no discrimination or disparate treatment for refinancing of home loans. We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.