



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

February 20, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**American National Bank
Charter Number 22841**

**116 North Kiel Street
Holstein, Iowa 51025**

**Comptroller of the Currency
Omaha North Field Office
13710 FNB Parkway, Suite #110
Omaha, Nebraska 68154-5298**

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.

TABLE OF CONTENTS

<i>INSTITUTION'S CRA RATING</i>	<i>1</i>
<i>DESCRIPTION OF INSTITUTION</i>	<i>1</i>
<i>DESCRIPTION OF ASSESSMENT AREA.....</i>	<i>2</i>
<i>CONCLUSIONS ABOUT PERFORMANCE CRITERIA.....</i>	<i>2</i>

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

American National Bank, Holstein, Iowa (ANB) actively meets the credit needs of its assessment area (AA). The bank's primary lending activities are agricultural, commercial, residential, and consumer loans.

- ANB's lending levels are excellent, given its size, financial condition, and the assessment area's credit needs.
- A majority of the bank's loans are within the AA.
- The bank's lending efforts result in satisfactory penetration of borrowers of different income levels and businesses of different sizes.

DESCRIPTION OF INSTITUTION

ANB is an \$81 million bank located in Holstein, Iowa in Ida County. Holstein is located approximately 50 miles east of Sioux City, Iowa in the northwestern portion of the state. The bank has two locations, a main office in Holstein and a branch in Galva, Iowa. The bank has two automated teller machines (ATMs). A deposit-taking ATM is located at its main office in downtown Holstein, and the Casey General Store at the south-end of town on Highway 59 has a non-depository ATM. ANB is 100% owned by American Bancshares, Inc., a \$157 million, three-bank holding company headquartered in Holstein. There are no legal or financial impediments limiting the bank's ability to help meet community credit needs. ANB was rated "Outstanding" at the last CRA examination dated December 6, 1996.

As of December 31, 2002, ANB's loan portfolio comprised 87% of total assets. The bank's primary credit products are agricultural, commercial, residential, and consumer loans. The following table shows the percentage of each loan type originated by dollar and number as of February 14, 2003 origination report. Origination number and volume may be slightly skewed as originated loans are automatically purged after the loan has been paid off for 90 days.

	% of Outstanding Dollars	% of Outstanding # of Loans
Agricultural Loans	69%	59%
Commercial Loans	19%	13%
Residential & HELOC Loans	9%	12%
Consumer Loans	2%	16%
Other Loans	1%	0%

Source: % of Outstanding Dollars and # are based on the bank's new loan origination report for the period of 12/6/96 to 2/14/03.

DESCRIPTION OF ASSESSMENT AREA

ANB's AA includes all of Ida, southern Cherokee, and northern Sac Counties. The AA includes Block Numbering Areas (BNAs) 9901, 9902, and 9903 in Ida County, BNAs 9803 and 9804 in Cherokee County, and BNA 9801 in Sac County. The AA consists of six middle-income BNAs. There are no low- or moderate-income BNAs in the AA. The bank's AA meets the requirements set forth in the Community Reinvestment Act (CRA). A map of the AA can be obtained from the CRA public file.

According to the 1990 U.S. Census, the population of the AA is 16,439. The Housing and Urban Development (HUD) updated 2002 weighted average median family income for the statewide non-metropolitan statistical areas in Iowa is \$49,400. The distribution of family incomes within the AA is 18% low-income, 22% moderate-income, 27% middle-income, and 33% upper-income. About 13% of the households in the AA are below the poverty level. Based on the census, the median housing value is \$27,852 and 66% of housing stock is owner-occupied.

The local economy is stable. Crop prices have been beneficial to area farmers offsetting lower livestock prices. Major employers include VT Industries, area schools, and city and county government located throughout the AA. The local employment base has been stable.

Eighteen national and state banks, and one federal savings and loan serve the three counties. These institutions' deposits range from \$5 million to \$300 million. We did not consider several banks and the savings and loan as similar to the bank as they generate the majority of their deposits outside the AA. During this examination we compared ANB's lending level and activities to similarly situated banks in the AA. ANB's performance was compared to seven banks of similar size with at least \$20 million in deposits within the AA.

Examiners made community contacts during the CRA examination. Both contacts were community leaders with a good understanding of area credit needs and knowledge of area banks' efforts to meet those needs. Both contacts identified agricultural loans, small business loans, and affordable housing as community credit needs. ANB offers loan products to address identified needs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

ANB's loan-to-deposit (LTD) ratio is more than reasonable, given its size, financial condition, and the AA's credit needs. The LTD average for the past twenty-five quarters is 106%. The bank's lending level is substantially higher than the 69% average of the seven similarly situated banks in the AA. The LTD ratios of those banks ranged from 57% to 93%. The bank's LTD ratio would be substantially higher if it were adjusted to add the \$31.3 million in loan participations sold to affiliate banks.

Lending in Assessment Area

ANB originates a substantial majority of its loans within the AA. We reviewed a sample of 20 agricultural and residential real estate loans originated between December 6, 1996 and February 14, 2003 to assess the bank's lending within the AA. We found 15 loans, or 75% of agricultural and residential loans, were made in the AA. Also, \$1,044,807, or 73% of loan volume, was in the AA. The following table details the findings of our sample.

ASSESSMENT AREA CONCENTRATION				
	# of Loans	% of total #	\$ of Loans	% of total \$
Inside AA	15	75%	\$1,044,807	73%
Outside AA	5	25%	\$ 393,620	27%
Totals	20	100%	\$1,438,247	100%

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

The bank has a satisfactory record of providing loans to borrowers of different incomes and farms of different sizes. We sampled the bank's two primary loan products to assess the bank's performance. The following is information on each sample.

Residential Real Estate Loans

The bank has a satisfactory record of providing residential real estate loans to borrowers of different income levels. Our sample included 20 residential real estate loans made since the December 6, 1996 evaluation. We sampled home purchase and home refinance loans together because bank reports did not separate the different loan products. Only borrowers within the bank's designated AA were included in this sample. The following table indicates that the bank's loans came close to matching the low- and moderate-income demographics when considering the number of loans. However, the total dollar volume to low- and moderate-income borrowers is slightly below the demographics. This is reasonable because loans to middle- and upper-income borrowers are typically larger loans, which can significantly skew the dollar volume percentages. The table below compares the income levels of the borrowers in our sample to the income demographics of families in the AA.

RESIDENTIAL LOANS TO INDIVIDUALS OF DIFFERENT INCOME LEVELS					
Income Level	# of loans	% of total #	\$ of loans	% of total \$	% of Families in the AA
Low	2	10%	\$56,800	5%	18%
Moderate	5	25%	\$198,536	18%	22%
Middle	7	35%	\$424,050	38%	27%
Upper	6	30%	\$439,296	39%	33%
Totals	20	100%	\$1,118,682	100%	100%

Source: Loan sample & U.S. Census Data.

During this evaluation period, the bank started offering special loan programs designed to help meet the housing needs of the low- and moderate-income individuals. The bank offers loans through the USDA Rural Housing Programs. The program limits income eligibility to \$60,400 for a family of four. Special underwriting guidelines allow for reduced or no downpayment and slightly higher than normal housing debt to income guidelines. In 2002 the bank made five USDA loan program loans totaling \$268 thousand.

Agricultural Loans

ANB has a satisfactory record of lending to farms of different sizes. Our sample included 20 loans within the AA that were originated since the December 6, 1996 evaluation. The following table indicates the number of loans was distributed fairly evenly among farms of all revenue sizes. Fifteen of the loans in the sample (75%) were to farms with annual revenues less than \$500 thousand. This is slightly below the U.S. Census of Agricultural Data where 95% of farms had sales revenues of less than \$500 million. However, only two loans were to real large borrowers with revenues over \$1 million. The dollar volume percentage is not as favorable when compared to the census data; however, the percentage is skewed due to one exceptionally large cattle line.

LOANS TO FARMS OF DIFFERENT SIZES					
Gross Revenue of Farms	# of loans	\$ of total #	\$ of loans	% of total \$	% of Farms in AA
< \$100 thousand	3	15%	\$57,800	4%	64%
>\$100 & < \$250 thousand	7	35%	\$209,500	17%	22%
> \$250 & < \$499 thousand	5	25%	\$188,266	15%	9%
> \$500 thousand	5	25%	\$800,600	64%	5%
Totals	20	100%	\$1,256,166	100%	100%

Source: Loan sample & 1997 U.S. Census of Agricultural Data for Cherokee, Ida, & Sac Counties in Iowa.

The bank uses government sponsored farm loan programs to help fund smaller and young farm operators and to help provide economic development in the local agricultural economy. The bank offers loans with assistance of the Farm Services Agency and the Iowa Farm Finance Development Authority. During the performance period, the bank originated new loans under these programs to eleven and five customers, with outstanding balances of \$2,906,685 and \$677,531, respectively. The bank also used the State of Iowa Lift Loan Program to originate twelve loans totaling \$380 thousand to finance stock purchases to provide start up capital for the Quad County Corn Processor ethanol plant.

Geographic Distribution of Loans

All BNAs in the AA are middle-income. Therefore, a specific analysis of geographic distribution is not meaningful.

Responses to Complaints

The Office of the Comptroller of the Currency and the bank have not received any complaints regarding the bank's CRA performance since the last CRA examination dated December 6, 1996.

Fair Lending Review

An analysis of 1999 through 2002 public comments and consumer complaint information was performed according to the Office of the Comptroller of the Currency's risk based fair lending approach. Based on its analysis of the information, the Office of the Comptroller of the Currency decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year.