



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

January 28, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Manning
Charter Number 3455**

**401 Main Street
Manning, Iowa 51455**

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

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>1</i>
<i>CONCLUSIONS ABOUT PERFORMANCE CRITERIA</i>	<i>2</i>

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

The First National Bank of Manning (FNB) meets the credit needs of its assessment area. The primary lending activities are agricultural and commercial loans.

- FNB's lending level is satisfactory given the institution's size, financial condition, and the assessment area's credit needs.
- A majority of the bank's loans are within the assessment area.
- Lending to farms and businesses of different sizes is satisfactory.

DESCRIPTION OF INSTITUTION

FNB is a \$53 million financial institution located in Manning, Iowa. Manning Financial Services, Inc., a \$53 million one-bank holding company, owns 100% of the bank, and is also located in Manning, Iowa. FNB also operates two withdrawal-only automated teller machines.

FNB offers traditional loan and deposit products. As of September 30, 2002, the bank's loan portfolio totaled 71% of total assets. The bank's primary credit products are agricultural and commercial loans based on the number and dollar amount of originations. The loan portfolio consisted of 51% agricultural, 26% commercial, 13% residential real estate, 6% municipal and other, and 4% consumer loans based on outstanding dollars.

FNB had no legal or financial impediments preventing it from fulfilling its obligation under the CRA. FNB was rated Satisfactory at the December 14, 1998 CRA examination.

DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area (AA) meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies. The bank's AA consists of five block numbering areas (BNAs): BNA 9701 in Audubon County; BNAs 9606 and 9602 in Carroll County; BNA 9705 in Crawford County; and BNA 9601 in Shelby County. All five (100%) BNAs are middle-income tracts. Individuals can refer to the bank's Public File for a map outlining the AA.

According to the 1990 U.S. Census, the total population of the AA is 14,776. The 1990 U.S. Census estimated that 20% of families in the AA were low-income, 21% moderate-income, 29% middle-income, and 30% upper-income. The 2002 Iowa statewide weighted average updated median family income is \$49,400. Thirteen percent of the AA households are below the poverty level. The median housing value for the AA is \$27, 286. Seventy percent of housing in the AA

is owner-occupied.

The local economy is stable, but depressed agricultural prices continue to affect the area. The main sources of employment are provided by agriculture, health care, municipal education, and small business and manufacturing. There are eight other financial institutions with branches in the AA. These institutions range in size from \$15 million to over \$134 million. These institutions provide the primary competition.

Examiners made one community contact with a city official during the CRA examination. The community contact revealed that agriculture, small business, and housing are the primary credit needs of the area.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB's average lending level is satisfactory. This is based on the bank's loan-to-deposit (LTD) ratio, size, financial condition, and the AA credit needs. FNB's September 30, 2002 net LTD ratio was 85%. FNB's quarterly average LTD ratio for the 15 quarters ending September 30, 2002 was 86%. The bank's average LTD ratio equaled the 15-quarter average of 86% for similarly situated banks in the AA, which ranged from 78% to 98%. These banks are located within the AA and offer traditional banking products similar to those offered at FNB, and range between \$15 million and \$134 million in total assets.

Lending in Assessment Area

FNB originates a majority of its loans within the AA. We selected a sample of 20 agricultural and commercial loans originated between December 15, 1998 and February 26, 2003. The sample was reviewed to determine if loans originated to farms and commercial enterprises were within the bank's AA.

We found that 17 loans, or 85% of agricultural and commercial loans, were made in the AA. Also, \$1,069,866, or 91% of loan volume was in the AA.

LENDING WITHIN THE ASSESSMENT AREA				
	# of loans	% of total #	\$ of loans	% of total \$
Inside AA	17	85	\$1,069,866	91%
Outside AA	3	15	\$100,774	9%
Totals	20	100%	\$1,170,640	100%

Lending to Farms and Business of Different Sizes

FNB's lending to farms and businesses of different sizes is good. A substantial majority of loans from the agricultural and commercial loan samples went to small farms and businesses.

Agricultural and commercial lending are the primary credit needs of the area, as determined through discussions with bank management and local community contacts.

Agricultural Lending

FNB has an excellent record of lending to agricultural borrowers of different sizes. We reviewed a sample of 20 agricultural loans totaling \$758,505 to determine the bank's lending to farms of different sizes. All loans were located within the AA and were originated between January 1, 2001 and January 31, 2003.

FNB originated 100% of the loans by number and volume to farm operations with gross annual revenues of less than \$500,000. This compares favorably to the 1997 Census of Agricultural Data, which shows that 94% of AA farms have gross annual revenues less of less than \$500,000.

LOANS TO FARMS OF DIFFERENT SIZES					
Gross Revenue of Farms	# of loans	% of total #	\$ of loans	% of total \$	% of farms in AA
< \$99,999	8	40%	\$241,358	32%	61%
\$100, 000-\$249,999	9	45%	\$428,559	56%	23%
\$250,000- \$499,999	3	15%	\$88,588	12%	10%
>\$500,000	-	-	-	-	6%
Totals	20	100%	\$758,505	100%	100%

Commercial Lending

FNB has a satisfactory record of lending to businesses of different sizes. We reviewed a sample of 20 commercial loans totaling \$2,505,409 to determine the bank's lending to businesses of different sizes. All loans were located within the AA and were originated between January 1, 2001 and January 31, 2003.

FNB originated 90% of commercial loans by number and 43% by loan volume, to businesses with gross annual revenues of less than \$1 million. The bank's lending reasonably compares to the 2002 updated Business Geodemographic Data, which shows that 92% of AA businesses have gross annual revenues less than \$1 million. The bank has a lower percentage of loan penetration by volume. It can be reasonably concluded that smaller businesses will need smaller loans than larger businesses.

LOANS TO BUSINESSES OF DIFFERENT SIZES					
Gross Revenue	# of loans	% of total #	\$ of loans	% of total \$	% of businesses in AA
< \$1 million	18	90%	\$1,085,409	43%	92%
> \$1 million	2	10%	\$1,420,000	57%	8%
Totals	20	100%	\$2,505,409	100%	100%

Geographic Distribution of Loans

All five BNAs are middle-income. Therefore, specific analysis of geographic distribution would not be meaningful.

Responses to Complaints

The Office of the Comptroller of the Currency (OCC) and the bank have not received any complaints regarding the bank's CRA performance since the December 14, 1998 CRA examination.

Fair Lending Review

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