



PUBLIC DISCLOSURE

August 06, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Manning
Charter Number 3455

401 Main Street
Manning, IA 51455

Office of the Comptroller of the Currency

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Suite 110
Omaha, NE 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.

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Overall CRA Rating

The Lending Test is rated: Satisfactory.

The First National Bank of Manning's (FNB) lending performance reflects a satisfactory response to the needs of its assessment area (AA). This conclusion is based on the following:

- FNB's loan-to-deposit (LTD) ratio is reasonable;
- A majority of FNB's loans are originated inside its AA;
- FNB's distribution of loans to borrowers of different income levels reflects reasonable penetration; and,
- There were no complaints regarding the bank's performance in meeting the credit needs of its AA.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor

vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small Loan(s) to Business(es): A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Description of Institution

FNB is a \$70 million financial institution headquartered in Manning, Iowa. The Manning location is a full-service office equipped with a drive-up facility and an automated teller machine (ATM). The bank has no other branches or ATMs. FNB operates in one AA that is comprised of parts of Carroll, Crawford, Audubon, and Shelby counties, all of which are located in Iowa. According to the FDIC deposit market share report, there are 18 other institutions serving the Manning AA, of which FNB ranks 12th with three percent of total deposits.

FNB is a wholly-owned subsidiary of Manning Financial Services, Inc., a one-bank holding company that owns no other subsidiaries and is headquartered in Manning, Iowa. As of December 31, 2017, the holding company had total assets of \$15 million.

FNB offers a full range of deposit and loan products and services to its customers. As of June 30, 2018, the bank's loan portfolio totaled \$42 million or 60 percent of total assets. The June 30, 2018, call report identifies \$22 million in agricultural loans, \$13 million in business loans, \$6 million in residential real estate loans, and \$1 million in consumer loans.

There were no legal or financial impediments to FNB's ability to meet the credit needs of its AA over the evaluation period. FNB received a satisfactory rating at its last CRA examination dated May 20, 2013.

Scope of the Evaluation

Evaluation Period/Products Evaluated

We evaluated FNB using small bank examination procedures, which include a lending test. The lending test evaluates the bank's record of meeting the credit needs of its AA through its lending activities. The lending test covers the bank's performance from January 1, 2016, to July 31, 2018. This period is representative of the bank's lending strategy since the previous CRA examination.

FNB's primary product is agricultural loans. The following table shows the percentage of loan originations by loan type from May 20, 2013, to July 31, 2018.

Table 1: Loan Originations		
Loan Type	% by Dollar	% by Number
Agricultural	50	45
Business	45	23
Consumer	2	27
Residential RE	3	5

Source: Bank-provided loan origination reports (2013-2018).

We initially selected 20 agricultural loans originated between January 1, 2016 and July 31, 2018 to assess lending in the AA. We expanded the sample to include 20 loans inside the Manning AA to evaluate borrower income distribution.

Selection of Areas for Full-Scope Review

We completed a full-scope review of the Manning AA. The Manning AA consists of five census tracts located in Carroll, Crawford, Audubon, and Shelby counties. Refer to Appendix A of this evaluation for additional information.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

Conclusions with Respect to Performance Tests

FNB's CRA performance is satisfactory.

LENDING TEST

FNB's performance with regards to the lending test is satisfactory. The bank's LTD ratio is reasonable given the bank's size, financial condition, and credit needs of the AA. In addition, FNB originates a majority of its loans inside the AA. The borrower distribution of agricultural loans reflects reasonable penetration. FNB has not received any complaints regarding its CRA performance since the previous examination.

Loan-to-Deposit Ratio

FNB's lending level is reasonable and meets the criteria for satisfactory performance. FNB's LTD ratio as of June 30, 2018, was 71 percent. Over the past 21 quarters ending June 30, 2018, FNB's quarterly average LTD ratio was 60 percent. This ratio is below the quarterly average LTD ratio of four similarly situated institutions of 85 percent. The similarly situated banks utilized for comparison purposes are community banks located within 30 miles of Manning, are of similar asset size, and have similar primary loan products.

Loans originated by FNB and sold to other financial institutions mitigate the comparatively low LTD ratio. FNB's loan participation sales over the evaluation period are significant. As of August 1, 2018, other financial institutions hold \$6.4 million of these participations.

Lending in Assessment Area

A majority of FNB's loans are originated inside its AA, which meets the standard for satisfactory performance. Management originated 80 percent of its loans by number and 57 percent of its loans by dollar within the AA. The following table details FNB's lending within the AA by number and dollar amount of loans:

Loan Type	Number of Loans					Dollars of Loans (\$000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Farm	16	80	4	20	20	1,736	57	1,284	43	3,020

Source: Sample of 20 loans originated from January 1, 2016, to July 31, 2018

Lending to Businesses of Different Sizes

The distribution of loans to farms of different sizes reflects reasonable penetration. Our sample of 20 agricultural loans indicated FNB originated 85 percent of its loans by number and 88 percent by dollar amount to small farms. Small farms are those with

annual gross revenues equal to or less than \$1 million. While FNB's borrower distribution is below the demographics of the AA, they compare favorably to aggregate lending data within their AA. The aggregate lending data shows that 60 percent of loans by number in the AA are made to small farms.

Table 3 - Borrower Distribution of Loans to Farms in the Manning AA				
Gross Farm Revenues	≤ \$1,000,000	> \$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	99	0.6	0.6	100
% of Bank Loans in AA by #	85	5	10	100
% of Bank Loans in AA by \$	88	9	3	100

Source: 2017 Business Demographic Data; Sample of loans from 2016 – 2018

Geographic Distribution of Loans

A geographic distribution of loans was not performed at this examination. All of the geographies are middle-income, thus, the analysis would not be meaningful.

Responses to Complaints

FNB has not received any CRA-related complaints since the last CRA examination.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test: 01/01/2016 to 07/31/2018	
Financial Institution		Products Reviewed
First National Bank of Manning Manning, Iowa		Agricultural Loans
Affiliate(s)	Affiliate Relationship	Products Reviewed
N/A	N/A	N/A
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Manning AA <i>(which includes census tracts 9602 and 9606 of Carroll county, census tract 705 of Crawford county, census tract 701 of Audubon county, and census tract 9601 of Shelby county)</i>	Full-scope	

Appendix B: Community Profiles for Full-Scope Areas

Manning AA

Demographic Information for Full Scope Area: Manning AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	5	0.0	0.0	100.0	0.0	0.0
Population by Geography	11,672	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	5,311	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	3,814	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	1,029	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	468	0.0	0.0	100.0	0.0	0.0
Business by Geography	994	0.0	0.0	100.0	0.0	0.0
Farms by Geography	493	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	3,349	16.7	16.4	23.8	43.1	0.0
Household Distribution by Income Level	4,843	21.2	14.5	19.5	44.8	0.0
Median Family Income Non-MSAs- IA		\$61,934	Median Housing Value			\$100,523
			Median Gross Rent			\$522
			Families Below Poverty Level			6.2%

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2015 ACS Census and 2017 D&B Data

FNB operates one branch and one ATM, all located in Manning. The city of Manning is located in western Iowa and has a strong agricultural presence. FNB operates with one AA that consists of parts of Carroll, Crawford, Audubon, and Shelby counties. The AA includes five contiguous census tracts (CTs), all designated middle-income. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. A map of the AA can be found in FNB's CRA public file.

According to 2010 United States census data, the total population of the AA is 11,672, with 3,349 families. Of the 3,349 families, 17 percent are designated low-income, 16 percent are moderate-income, 24 percent are middle-income, and 43 percent are upper-income. Six percent of AA families are below the poverty level. The median family income is \$61,934.

Competition within the AA is moderate. Eighteen other deposit-taking financial institutions serve the Manning AA. FNB holds the 12th largest deposit market share of the 19 institutions with three percent of total deposits.

The condition of the local economy is average. Manning is located in the southwest corner of Carroll County. Carroll County's unemployment rate is in line with state averages. Carroll County's unemployment rate as of June 2018 was 2.0 percent, compared to the state of Iowa's unemployment rate of 2.7 percent, as reported by the Bureau of Labor Statistics. Both are below the national average of 4.0 percent.

We relied on a community representative to gain additional insight of the AA in order to conduct the examination. The community contact indicated agriculture is the primary source of employment in the area, with some light manufacturing and service jobs. While the community contact felt agricultural lending is the greatest credit need in the area (primarily for operating lines of credit), they also saw a need for affordable housing options in the area. Overall, the representative concluded that all financial institutions in the area meet the credit needs of the community through appropriate products and services and do a good job of supporting local economic initiatives.