



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

October 1, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Manning
Charter Number: 3455

401 Main Street
Manning, Iowa 51455

Office of the Comptroller of the Currency
Omaha 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.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."

- The First National Bank of Manning (FNB) meets the credit needs of the community, as demonstrated by its quarterly average loan-to-deposit (LTD) ratio of 78.55 percent since the bank's previous Community Reinvestment Act (CRA) examination.
- A substantial majority (94 percent) of loans are located within the bank's defined assessment area.
- The bank has an excellent lending record to small farms and an adequate lending record to individuals of different income levels (including low- and moderate-income borrowers) and businesses of various sizes.

SCOPE OF EXAMINATION

The review covered loans originated between January 1, 2005 and October 1, 2007. We determined agricultural, commercial, and consumer loans were the bank's primary products. We gave agricultural loans the most weight in our analysis because they comprise nearly 50 percent of loan originations by number and dollar amount. Commercial loans are a primary product because business loans comprise 27 percent of originations by dollar amount, and consumer loans comprise 32 percent of originations by number. We reviewed an initial sample of 66 loans, which included 21 agricultural loans, 20 commercial loans, and 25 consumer loans. We also expanded the commercial sample to include the entire commercial portfolio for borrower distribution analysis.

DESCRIPTION OF INSTITUTION

FNB is a \$63 million bank located in Manning, Iowa. Manning Financial Services owns 99.2 percent of the bank. FNB operates one branch, and has two automated teller machines (ATM) in Manning. One ATM is located at Casey's General Store and the other is at Manning Foods.

FNB offers standard loan and deposit products. As of June 30, 2007 the bank's loan portfolio totaled 64 percent of total assets. The portfolio was comprised of 39 percent agricultural loans, 26 percent commercial loans, 17 percent residential loans, and 3 percent consumer loans. These products are representative of the bank's business strategy.

FNB has no legal or financial impediments preventing it from fulfilling its obligations under CRA. FNB was rated "Satisfactory" at its previous CRA examination dated January 28, 2003.

DESCRIPTION OF ASSESSMENT AREA

The assessment area (AA) meets the requirements of the regulation. The AA consists of five census tracts (9601, 9602, 9606, 9701, and 9705) located in Carroll, Crawford, Shelby, and Audubon Counties. All tracts are middle-income.

According to the 2000 U.S. Census, the total population of the AA is 13,205. The 2000 U.S. Census estimates the following percentages of families by income level:

Low: 15.77% Moderate: 23.76% Middle: 27.18% Upper: 33.29%

According to the 2000 Census the estimated median family income for the non-metropolitan areas of Iowa is \$35,375. The 2006 Department of Housing and Urban Development (HUD) updated median family income (MFI) is \$52,800. Ten percent of the AA households are below the poverty level.

Economic conditions in the assessment areas are generally good. The major employers in Manning, Iowa are the Manning Regional Health Care Center, Manning Community Schools, and Ag Processing Inc. As of July 31, 2007 the unemployment rate in Carroll County is 2.6 percent. In the surrounding counties of Audubon, Crawford, and Shelby, the unemployment rates are 3.7 percent, 3.4 percent, and 3.1 percent, respectively. The AA unemployment rates are favorable compared to the United States unemployment rate of 4.6 percent, and the Iowa unemployment rate of 3.9 percent.

Competition from other financial institutions is strong. There are two other financial institutions in Manning, Iowa. Bank of the West and Templeton State Bank provide FNB's primary competition. Overall, there are 20 banks that have branches in the AA. Shelby County State Bank leads Audubon, Carroll, Crawford, and Shelby counties with a 13 percent deposit market share. FNB's deposit market share is 3.35 percent, ranking 14th among the 20 banks.

Examiners did not identify any unmet credit needs in the AA. Examiners contacted a local business organization during the CRA examination. The community contact stated that economic conditions of the area are good, and the financial institutions meet the credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB's lending level is satisfactory. This is based on the bank's loan-to-deposit ratio (LTD), size, financial condition, and the AA credit needs. FNB's quarterly average net LTD ratio for the 18 quarters ending June 30, 2007 is 78.55 percent. The bank's average is comparable to the 18-quarter average of six similarly situated banks of 81.86 percent, ranging from 66 percent to 106 percent. The bank's average net LTD ratio ranks fourth among these 7 similarly situated banks. These banks offer traditional banking products similar to those offered at FNB, operate within the bank's AA, and range from \$143 million to \$26 million in asset size.

Lending in Assessment Area

Lending in the bank's AA is excellent. FNB originates a substantial majority of its loans to borrowers located within its defined AA. Of loans originated for commercial, agricultural, and consumer purposes, about 94 percent by number were made to borrowers within the bank's AA. The following table shows primary product loans originated inside the AA by number and dollar volume:

Lending in Assessment Areas

Type of Loan	Number	Percent of Number	\$ of loans	Percent of \$
Commercial	19/20	95%	1,833,767/1,841,767	99%
Agricultural	21/21	100%	1,950,230/1,950,230	100%
Consumer	22/25	88%	134,452/154,652	87%
Total	62/66	94%	3,918,449/3,946,648	99%

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

Overall, the distribution of borrowers reflects reasonable penetration among businesses and farms of different sizes and individuals of different income levels. Lending to small businesses and farms and to low- and moderate-income individuals meets or exceeds community demographics.

Agricultural Lending

FNB has an excellent record of lending to agricultural borrowers of different sizes. The bank originated 100 percent of its agricultural loans to farms with gross annual revenue of less than \$1 million. This compares favorably to community demographics, which show that 98 percent of AA farms have gross annual revenues of less than \$1 million. In addition, the bank actively lends to the AA’s smallest farms; one-third of agricultural loans are made to farms with gross annual revenues of less than \$100,000.

Commercial Lending

FNB has a reasonable record of lending to businesses of different sizes. The bank originated 66 percent of its commercial loans to businesses with gross annual revenues of less than \$1 million. The bank’s lending approximates community demographics, which show 53 percent of the AA businesses have gross annual revenues of less than \$1 million.

Borrower Distribution of Commercial Loans by Revenue Size			
Gross Annual Revenue	Number	Percent of Number	Business Data
<\$50,000	16	66%	53%
\$50,000 - \$250,000	9		
\$250,000 - \$500,000	7		
\$500,000 - \$1,000,000	3		
>\$1,000,000	8	15%	4%
Not Reported	10	19%	43%
Totals	53	100%	100%

Consumer Lending

Consumer lending performance is good. FNB has an excellent record of lending to low-income borrowers and significantly exceeds community demographics. FNB has an adequate record of lending to moderate-income borrowers and meets community demographics. This is reasonable as it represents 30 percent of loans remaining after considering loans originated to low-income borrowers.

Borrower Distribution of Consumer Loans by Income Level

Borrower Income Level	Number	Percent of Number	Percent of Households
Low	10	50%	21%
Moderate	3	15%	18%
Middle	3	15%	25%
Upper	4	20%	36%
Totals	20	100%	100%

Geographic Distribution of Loans

All five tracts in the AA are middle-income. Therefore, specific analysis of geographic distribution would not be meaningful.

Responses to Complaints

The Office of the Comptroller of Currency and the bank have not received any CRA-related complaints since the last CRA examination.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.