



Public Disclosure

December 14, 1998

Community Reinvestment Act Performance Evaluation

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

**401 Main Street
Manning, Iowa**

**Office of the Comptroller of the Currency
Omaha Field Office
11606 Nicholas Street, Suite 201
Omaha, Nebraska 68154**

Note: 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.

General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of The First National Bank of Manning prepared by The Office of the Comptroller of the Currency, as of December 14, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

Institution's CRA Rating: This institution is rated Satisfactory.

The bank's lending level is reasonable, given the institution's size, condition, and assessment area credit needs. A substantial majority of the bank's loans are within the assessment area. Lending to farms of different sizes and borrowers of different income levels is reasonable. Examiners did not detect illegal discrimination or disparate treatment of applicants. The bank has no written complaints related to their CRA performance.

Description of Institution

The First National Bank of Manning (FNB) is a \$47 million financial institution located in Manning, Iowa, an agricultural community in southern Carroll County. FNB also has an ATM at the local grocery store. The bank offers a full range of lending services.

Manning Financial Services, Inc., a one bank holding company, owns 100% of FNB. There are no legal or financial impediments limiting the bank's ability to meet the area's credit needs.

On September 30, 1998, FNB's loan portfolio comprised 65% of total assets. The bank's primary credit products are agriculture, commercial and residential real estate loans. These products comprise 90% of outstanding loans by dollar volume. The table below details the loan portfolio by outstanding loan volume and number of loans as of September 30, 1998.

	% of Outstanding Loans by Dollar	% of Outstanding Loans by Number
Agricultural	49.71%	42.96%
Residential Real Estate	12.33%	11.82%
Commercial	28.56%	12.89%
Consumer Instalment	3.60%	31.36%
Other	5.80%	.97%

FNB was rated "Satisfactory" at the September 18, 1995 CRA examination.

Description of The First National Bank of Manning's Assessment Area

The assessment area meets the requirements of CRA. The assessment area does not exclude low- or moderate-income tracts and includes whole Block Numbering Areas (BNA). The bank has defined its assessment area as BNA #9606 and #9602 in Carroll County, #9705 in Crawford County, #9701 in Audubon County and #9601 in Shelby County. Refer to the bank's CRA Public File for a map of the assessment area.

The 1998 Iowa statewide median family income is \$41,200 (\$39,200 in 1997). All five BNAs are middle-income (80% to 120% of median family income). The family income distribution in the assessment area is 18.8% low-income, 21.9% moderate-income, 27.7% middle-income, and 31.6% upper-income. The economy is stable, but poor agricultural prices could negatively affect the area. The main sources of employment are provided by agriculture, the medical field, local

schools, retail business and manufacturing.

The local banking environment is competitive. The bank's assessment area is served by several area financial institutions and branches. Six banks are located within the bank's assessment area and 20 banks are located in the four county area. The primary credit needs of the area include agriculture, housing, and small business loans. We determined the credit needs of the area through contact with a Manning businessman and by using previous community contacts from the surrounding area.

Conclusions with Respect to Performance Criteria

The Bank's Lending Level

FNB's net loan-to-deposit ratio is reasonable given the institution's size, financial condition, and the assessment area's credit needs. The loan-to-deposit ratio averaged 65.6% over the past thirteen quarters and was 81.3% on September 30, 1998. The loan-to-deposit ratios of the other institutions in the assessment area range from 55.1% to 88.6%.

Lending in the Assessment Area

FNB originates a substantial majority of its loans within the assessment area. The table below shows the findings of our sample:

ASSESSMENT AREA CONCENTRATION

(A sample of 25 residential real estate and 26 agriculture loans between 6/30/96 and 7/20/98)

	Number of Loans	% of Total Number	\$ of Loans (\$000)	% of Total \$
Inside Assessment Area	41	80.4%	\$3,333	83.1%
Outside Assessment Area	10	19.6%	\$ 679	16.9%
Totals	51	100.0%	\$4,012	100.0%

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

FNB has a satisfactory record of lending to borrowers of different income levels. The bank made 11 of 25 residential real estate loans sampled, or 44%, to moderate-income individuals. No low-

income individuals were included in the sample. Low-income individuals are more likely to live in rental property and may not have the funds available for required downpayments. This would help to explain why the sample did not include low-income individuals. Overall, lending levels reflect a reasonable penetration among individuals of different income levels.

The following table demonstrates the bank's breakdown of loans to individuals as compared to the income demographics of the assessment area. The breakdown of income in the assessment area is from 1990 census data.

LOANS TO INDIVIDUALS OF DIFFERENT INCOME LEVELS

(Sample of 25 residential real estate secured loans originated between 01/01/97 and 12/14/98)

Income Level	\$ of loans (\$000)	% of total \$	# of loans	% of total #	% In Assessment Area *
Low	\$0	0.0%	0	0%	18.8%
Moderate	\$261	24.5%	11	44.0%	21.9%
Middle	\$422	39.5%	9	36.0%	27.7%
Upper	\$385	36.0%	5	20.0%	31.6%
Totals	\$1,068	100.0%	25	100.0%	100.0%

* Family income distribution of people in the assessment area. Information collected using the 1990 US Census.

The bank does a satisfactory job of lending to farms of different sizes. The table below demonstrates the bank's performance in making farm loans to operations of all sizes, especially small and moderate size farms. The table separates farm size by gross revenues.

LOANS TO FARMS OF DIFFERENT SIZES

(Sample of 26 agricultural borrowers using loan origination amount)

Gross Revenue of	\$ of loans	% of total \$	# of	% of total #	Farms in
\$10,000 - \$100,000	\$1,122	20.2%	8	33.3%	57.0%
\$100,001 - \$250,000	\$1,871	33.7%	10	41.7%	30.3%
\$250,001-\$500,000	\$2,565	46.1%	6	25.0%	8.8%
over \$500,001	\$0	0.0%	0	0.0%	3.9%
Totals	\$5,558	100.0%	24	100.0%	100.0%

* Revenue information is based on tax returns in each credit file.

‡ The total does not foot to our sample number of 26 due to two borrowers missing gross revenue information.

† Information taken from the 1992 U.S. Agriculture Census for counties in the bank's assessment area.

Geographic Distribution of Loans

A geographic distribution of loans was not performed since all the BNAs are middle-income, and the analysis would not be meaningful.

Response to Complaints

The bank has not received any written complaints related to its CRA performance during the evaluation period.

Record of Compliance with Anti-Discrimination Laws

We did not detect violations of any substantive provisions of anti-discrimination laws or disparate treatment of any residential loan applicants during our evaluation.