



PUBLIC DISCLOSURE

April, 2, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Citizens First National Bank of Storm Lake
Charter Number 10034

529 Lake Avenue
Storm Lake, IA 50588

Office of the Comptroller of the Currency
Sioux Falls Field Office
4900 South Minnesota Avenue, Suite 300
Sioux Falls, SD 57108

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, and should not 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: This institution is rated Satisfactory.

The Lending Test is rated: Satisfactory.

- Citizens First National Bank's (CFNB's) loan-to-deposit (LTD) ratio is reasonable when considering the bank's size, financial condition, and the credit needs of its assessment area (AA).
- Management originates and purchases a substantial majority of its loans to customers located inside the bank's AA.
- The distribution of loans to farms of different sizes and to consumers of different income levels reflects reasonable penetration of AA demographics.
- The geographic distribution of agricultural and consumer loans reflects reasonable dispersion among census tracts (CTs) of different income levels.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the Community Reinvestment Act (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 Metropolitan Area (MA)/AA.

Census Tract: A small subdivision of metropolitan and other densely populated counties. CT boundaries do not cross county lines; however, they may cross the boundaries of MAs. CTs 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. CTs 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 AA's or outside the AA's provided the bank has adequately addressed the community development needs of its AA's.

Community Reinvestment Act: 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 CT 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/AA.

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: 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 MA. 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 MA, the institution will receive a rating for the multi-state MA.

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 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

CFNB is a nationally chartered bank headquartered in Storm Lake, Iowa. As of December 31, 2017, the institution had total assets of \$212 million and tier one capital of \$23 million. The CFNB is a wholly owned subsidiary of FNC, Inc.

CFNB operates three branches and two depository automatic teller machines in the counties of Buena Vista and Sac. CFNB has designated Buena Vista and Sac counties as the bank's AA. No branches were opened or closed during the evaluation period, and no merger or acquisition activity occurred during the evaluation period.

CFNB's primary business focus is consistent with that of a traditional bank. CFNB offers a variety of agricultural, commercial, consumer, and residential real estate lending products; however, its focus continues to be agricultural and consumer loans. As of December 31, 2017, agricultural loans totaled \$50 million and represented 204 percent of capital, and consumer loans totaled \$10 million and represented 40 percent of capital. In addition to lending products, the bank also offers a wide range of retail depository products.

There are no known legal, financial, or other impediments limiting CFNB's ability to meet the credit needs of its AA. CFNB received a Satisfactory rating in its last performance evaluation dated August 20, 2013.

Scope of the Evaluation

Evaluation Period/Products Evaluated

We evaluated CFNB using Small Bank CRA examination procedures. The institution's overall rating is based on the Lending Test, which evaluates the bank's record of meeting the credit needs of the AA through its lending activities. The evaluation period for the Lending Test was January 1, 2015 to November 30, 2017. The Lending Test evaluated agricultural and consumer loans, as those were determined to be the bank's primary products.

We used CFNB's internal loan reports to determine the number and dollar volume of loans, which we then used to determine the bank's primary products. The primary products were determined to be consumer loans based on originated loans by number and agriculture loans based on originated loans by dollar. To evaluate the bank's lending performance, we selected a sample of consumer and agriculture loans originated between January 1, 2015 and November 30, 2017.

The following table shows the breakdown of loans originated during the evaluation period.

Loan Portfolio Originations		
Loan Type	Originated Loans by Number	Originated Loans by Dollar
Residential RE	5%	8%
Consumer	55%	7%
Agriculture	27%	52%
Commercial	13%	33%
Total	100%	100%

Source: Bank loan data from January 1, 2015 through November 30, 2017

Selection of Areas for Full-Scope Review

CFNB operates in one AA, which consists of the counties of Buena Vista and Sac, and we completed a full scope review of that AA. The bank's overall rating is based entirely on its performance in this single AA. Refer to Appendix B-1 for additional information about the bank's AA.

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 AA 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

LENDING TEST

CFNB's performance under the Lending Test is satisfactory.

Loan-to-Deposit Ratio

CFNB's LTD ratio is reasonable given its size, financial condition, and the AA's credit needs. CFNB's average quarterly LTD ratio was 56 percent for the 21 quarters from September 30, 2012 to December 31, 2017. This ratio ranged from a quarterly low of 47 percent to a quarterly high of 64 percent. CFNB's LTD ratio has shown steady improvement over the 21 quarters since the last CRA examination. The December 31, 2017 LTD ratio was 64 percent.

CFNB's average LTD ratio was lower than the average LTD ratio of other banks of similar size and strategy operating in the same AA, but reasonable in comparison. The ratio of competitor banks ranged from an average quarterly low of 35 percent to an average quarterly high of 85 percent. The average quarterly LTD ratio for competitor banks was 67 percent for the 21 quarters from September 30, 2012 to December 31, 2017.

Lending in Assessment Area

CFNB originates a substantial majority of its loans to customers inside its AA. During the evaluation period, 83 percent of the bank's loans by dollar and 78 percent by number were extended to borrowers inside the bank's AA.

Table 1 - Lending Inside and Outside CFNB's AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agricultural	16	80	4	20	100%	2,512,568	84	487,971	16	100%
Consumer	15	75	5	25	100%	129,382	78	36,424	22	100%
Totals	31	78	9	22	100%	2,641,950	83	524,395	17	100%

Source: Loan sample.

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

The distribution of loans farms of different sizes and to consumers of different income levels reflects reasonable penetration of AA demographics.

The borrower distribution of agricultural loans to farms of different income levels reflects reasonable penetration of the AA's demographics. CFNB originated 75 percent of their loans by number and 54 percent of their loans by dollar to farms with gross revenues of less than \$1 million. While 54 percent of their loans by dollar to farms with gross revenues of less than \$1 million is low, there was one loan that was an outlier from the rest of the loans that drove the percentage lower. If that loan was removed from the loan sample, the percentage of loans by dollar to farms with grows revenues of less than \$1 million would be closer to the percentage of loans by number.

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	98	1	1	100%
% of Bank Loans in AA by #	75	20	5	100%
% of Bank Loans in AA by \$	54	41	5	100%

Source: 2010 U.S. Census data, Loan sample.

The borrower distribution of consumer loans to households of different income levels reflects excellent penetration. CFNB originated 20 percent of their loans to households with low-income levels and 35 percent of their loans to households with moderate-income levels for a total of 55 percent of their loans being originated to households with low- or moderate- incomes.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	21	20	18	35	22	30	39	15

Source: 2010 U.S. Census data, Loan sample.

Geographic Distribution of Loans

The geographic distribution of agricultural and consumer loans reflects reasonable dispersion among CTs of different income levels.

The geographic distribution of agricultural loans to CTs of different income levels reflects excellent dispersion of the AA's demographics. CFNB originated five percent of their agricultural loans to farms located within a moderate-income CT. According to census information, five percent of farms in the AA are located within a moderate-income CT.

Table 3A - Geographic Distribution of Loans to Farms in the Buena Vista and Sac AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Agricultural Loans	0	0	5	5	95	80	0	15

Source: 2010 U.S. Census data, Loan sample.

The geographic distribution of consumer loans to CTs of different income levels reflects reasonable dispersion of the AA's demographics. CFNB originated five percent of their consumer loans to households located in a moderate-income tract. According to census information, 18 percent of households in the AA are located within a moderate-income CT. CT 9604 was a middle-income CT in 2015 and 2016 and was then changed to a moderate-income CT in 2017. In our loan sample, in 2015 and 2016 CFNB originated nine of 16 loans within the 9604 CT and in 2017 CFNB originated one of four loans within the 9604 CT. Given this information, the geographic distribution of consumer loans to CTs of different income levels reflects reasonable dispersion of the AA's demographics.

Table 3B - Geographic Distribution of Consumer Loans in the Buena Vista and Sac AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	0	0	18	5	82	75	0	20

Source: 2010 U.S. Census data, Loan sample.

Responses to Complaints

Neither the bank nor the OCC received any complaints regarding CFNB's CRA performance for the evaluation period.

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”).

Time Period Reviewed	Lending Test: 01/01/2015 to 11/30/2017	
Financial Institution		Products Reviewed
The Citizens First National Bank of Storm Lake Storm Lake, Iowa		Agricultural loans and Consumer loans
Affiliate(s)	Affiliate Relationship	Products Reviewed
None		
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Iowa (nonmetropolitan IA)	Full Scope	The bank has only a single AA.

Appendix B: Community Profiles for Full-Scope Areas

State of Iowa

Buena Vista and Sac Counties AA

Demographic Information for Full-Scope Area: Buena Vista and Sac						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	10	0	10	90	0	0
Population by Geography	30,608	0	20	79	0	0
Owner-Occupied Housing by Geography	8,792	0	15	85	0	0
Businesses by Geography	2,227	0	20	80	0	0
Farms by Geography	621	0	5	95	0	0
Family Distribution by Income Level	7,972	16	21	26	37	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	3,014	0.00	25	75	0.00	0.00
Median Family Income	= \$61,934					
FFIEC Adjusted Median Family Income for 2017	= \$63,900					
Households Below the Poverty Level	= 11%					
			Median Housing Value	= \$98,211		
			Unemployment Rate	= 2.61%		

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2015 ACS U.S. Census, and 2017 FFIEC updated MFI.

The CFNB AA includes the counties of Buena Vista and Sac located in northwest Iowa. The AA consists of 10 CTs. Of the 10 CTs, nine are middle-income tracts and one is a moderate-income CT. There are no low-income CTs in the AA.

The AA is serviced by 17 financial institutions based on the June 30, 2017 Federal Deposit Insurance Corporation deposit market share report. These other institutions and local credit unions provide competition for CFNB. CFNB has a 16 percent market share.

According to the 2010 U.S. Census, there were 30,608 people in the AA. The FFIEC Adjusted Median Family income for 2017 for the AA is \$63,900. The distribution of families within the AA is 16 percent low income, 21 percent moderate income, 26 percent middle income, and 37 percent upper income.

Overall, the local economy in Buena Vista and Sac counties is stable. According to the U.S. Bureau of Labor Statistics, the Iowa average state unemployment rate as of February 2018 was 2.9 percent, below the national unemployment rate of 4.1 percent.

We did not identify any unmet credit needs in this AA. A community contact interview was performed with a rural economic development organization within the Buena Vista and Sac counties AA. The current economy has experienced some strain because of the current agricultural economy but overall has remained stable. Neither Buena Vista nor Sac counties have experienced significant changes in major employers. The contact stated that financial institutions in both Buena Vista and Sac counties are viewed favorably by both their organization as well as by the public. The contact also stated that financial institutions are willing to lend money to individuals and organizations at reasonable rates.