

PUBLIC DISCLOSURE

March 1, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

FNNB Bank
RSSD #242949

100 North 2nd Avenue West
Newton, Iowa 50208

Federal Reserve Bank of Chicago

230 South LaSalle Street
Chicago, Illinois 60604-1413

NOTE: This document is an evaluation of this bank'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 bank. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this bank. The rating assigned to this bank does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial bank.

TABLE OF CONTENTS

PERFORMANCE EVALUATION2

SCOPE OF EXAMINATION2

DESCRIPTION OF INSTITUTION.....3

DESCRIPTION OF ASSESSMENT AREA4

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA11

LENDING TEST11

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....15

APPENDIX A – MAP OF ASSESSMENT AREA.....16

APPENDIX B – SCOPE OF EXAMINATION17

APPENDIX C – GLOSSARY18

BANK'S CRA RATING

FNNB Bank is rated Satisfactory.

FNNB Bank is meeting the credit needs of its community based on an analysis of its lending activities. The loan-to-deposit ratio is reasonable considering the bank's size, financial condition, and assessment area credit needs. The majority of the bank's small business loans were originated in the assessment area. The geographic distribution of loans reflects excellent distribution throughout the assessment area, and the loan distribution reflects reasonable penetration among small businesses of different sizes. Neither the bank nor this Reserve Bank received any CRA-related complaints since the previous evaluation.

SCOPE OF EXAMINATION

FNNB Bank's performance was evaluated using the Federal Financial Institution Examination Council's (FFIEC) Small Institution CRA Examination Procedures. Performance was evaluated in the context of information about the institution and its assessment area, including the bank's asset size, financial condition, competition, as well as assessment area demographic, economic, and credit needs. Small business lending was reviewed, as it is the bank's primary product line.

The evaluation included a full-scope review of the bank's single assessment area, located in the Des Moines-West Des Moines, IA Metropolitan Statistical Area (MSA) #19780. The assessment area consists of Jasper County in its entirety, which is one of six counties comprising the Des Moines-West Des Moines, IA MSA #19780; the excluded counties located in the MSA include Dallas, Guthrie, Madison, Polk, and Warren County.

Performance in the assessment area was evaluated using streamlined assessment method for small banks based on the following performance criteria:

- ***Loan-to-Deposit Ratio*** – A 24-quarter average loan-to-deposit (LTD) ratio ending December 31, 2020 was calculated for the bank and compared to a sample of local competitors.
- ***Lending in the Assessment Area*** – A sample of the bank's small business loans originated from January 1, 2019 through December 31, 2019 was reviewed to determine the percentage of loans originated in the assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** – A sample of the bank's small business loans originated in the assessment area from January 1, 2019 through December 31, 2019 was analyzed to determine the extent to which the bank is making loans in geographies of different income levels.

- **Lending to Businesses of Different Sizes** – A sample of the bank's small business loans originated in the assessment area from January 1, 2019 through December 31, 2019 was reviewed to determine the distribution among businesses with different revenue sizes.
- **Response to Substantiated Complaints** – Neither FNNB Bank nor this Reserve Bank received any CRA-related complaints since the previous examination.

In addition, a community representative from an economic development organization was contacted in connection with this examination to provide information regarding local economic conditions and credit needs in the assessment area.

DESCRIPTION OF INSTITUTION

FNNB Bank is the sole bank subsidiary of United Iowa Bancshares Inc., a financial holding company also based in Newton, Iowa. The bank currently operates from one bank office in Jasper County, Iowa. FNNB Bank also operates two full-service automated teller machines (ATMs), one at its main office and one as a standalone facility. The bank closed the Colonial Plaza branch location in November 2019, consolidating its operations with the main office.

The bank operates primarily as a small commercial bank, offering traditional noncomplex retail credit and deposit products and services to meet the credit needs within the assessment area. Lending products include consumer, commercial, agricultural, and residential loans. However, the vast majority of the bank's loan portfolio mix is in its commercial lending and commercial real estate products.

According to the Uniform Bank Performance Report (UBPR) as of December 31, 2020, the bank's total assets were approximately \$96.6 million. During the same time, the bank's gross loans totaled approximately \$53.5 million, with commercial lending representing 74.3 percent of the portfolio, followed by residential real estate at 14.0 percent. The table below provides a detailed distribution of the bank's loan portfolio.

Composition of Loan Portfolio as of December 31, 2020		
Loan Type	Dollar Volume (\$ are in 000s)	% of Portfolio
Commercial	39,794	74.3
Residential Real Estate	7,492	14.0
Agricultural	4,575	8.5
Consumer	546	1.0
Other	1,141	2.1
Total Loans	53,548	100.0
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>		

There are no known legal, financial, or other factors impeding the bank’s ability to help meet the credit needs in its communities.

The bank was rated outstanding under the CRA at its previous evaluation, conducted by the Office of the Comptroller of the Currency (OCC), on May 4, 2015.

DESCRIPTION OF ASSESSMENT AREA¹

FNNB Bank’s assessment area covers Jasper County in its entirety, which is part of the Des Moines-West Des Moines, IA MSA #19780 (Des Moines MSA). Jasper County is comprised of nine census tracts, of which three are moderate-income and the remaining six are middle-income. There are no low-, upper-, or unknown-income census tracts in the assessment area.

The bank's assessment area has remained unchanged since the previous examination. Prior to 2019, Jasper County was designated a non-metropolitan county by the Office of Management and Budget (OMB) which defines statistical areas for the purposes of administering federal programs. However, in 2019, Jasper County was re-defined and is now part of the Des Moines MSA. This changed the base income (for Jasper County) used to calculate the area medians on which designations of low-, moderate-, middle- and upper-income are calculated.

As a result of the re-definition, the bank’s assessment area census tract income designations have changed from 2018 to 2019. Previously, Jasper County consisted of nine census tracts, of which one was moderate-income, six were middle-income and two were upper income, based on 2015 American Community Survey (ACS) designations. Currently, Jasper County is comprised of nine census tracts, of which three are designated as moderate-income and six are designated as middle-income census tracts. See the below table for more details.

Census Tract Designation Changes American Community Survey Data (ACS)			
Tract Income Designation	2018 Designations (#)	2019 Designations (#)	Net Change (#)
Low	0	0	0
Moderate	1	3	2
Middle	6	6	0
Upper	2	0	-2
Unknown	0	0	0
Total	9	9	0

Source: U.S. Census Bureau: Decennial Census: America Community Survey Data: 2011-2015

¹ Census tract designations are based on American Community Survey income data. For years 2017 and after, the designations are based on 2011-2015 ACS data. For years 2016 and before, the designations are based on 2006-2010 ACS data. For examinations that include performance before and after 2017, both sets of data have been used to perform the analysis of bank activity in the respective timeframes.

According to the June 30, 2020 Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, FNNB Bank ranks sixth out of nine FDIC-insured institutions for deposit market share within the bank's assessment area of Jasper County. The bank held approximately \$81.5 million in deposits, representing 11.1 percent of the total deposit market share in Jasper County. According to the market share report, the three largest competitors in the bank's assessment area include Great Western Bank, U.S. Bank National Association, and Bank Iowa, which collectively hold approximately 49.0 percent of the market's total deposits. The nine financial institutions operating in the assessment area at the time of the report maintained a total of 13 branch offices, one of which belongs to FNNB Bank. As aforementioned, the bank closed one branch location in November 2019, and currently operates out of one branch office and two full-service ATMs in the assessment area.

Information about the census-related, business, and farm demographic characteristics of the assessment area in 2019 is provided in the following table.

Assessment Area: 2019 Des Moines-West Des Moines, IA MSA 19780								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	2,111	21.6
Moderate-income	3	33.3	2,961	30.3	192	6.5	2,095	21.5
Middle-income	6	66.7	6,799	69.7	329	4.8	2,603	26.7
Upper-income	0	0.0	0	0.0	0	0.0	2,951	30.2
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	9	100.0	9,760	100.0	521	5.3	9,760	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	5,544	3,280	31.1	59.2	1,743	31.4	521	9.4
Middle-income	10,614	7,263	68.9	68.4	2,151	20.3	1,200	11.3
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	16,158	10,543	100.0	65.2	3,894	24.1	1,721	10.7
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	554	36.7	500	36.2	45	43.3	9	34.6
Middle-income	957	63.3	881	63.8	59	56.7	17	65.4
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	1,511	100.0	1,381	100.0	104	100.0	26	100.0
	Percentage of Total Businesses:			91.4		6.9		1.7
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	62	23.6	62	23.9	0	0.0	0	0.0
Middle-income	201	76.4	197	76.1	4	100.0	0	0.0
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	263	100.0	259	100.0	4	100.0	0	0.0
	Percentage of Total Farms:			98.5		1.5		0.0

2019 FFIEC Census Data & 2019 Dun & Bradstreet information according to 2015 ACS

Note: Percentages may not add to 100.0 percent due to rounding

Population Characteristics

The table below reflects population trends for Jasper County, the Des Moines MSA, and the state of Iowa from 2010 to 2015. According to ACS demographic data, the 2011-2015 population within the assessment area was 36,726, a slight decrease from its population in 2010. The Des Moines MSA has experienced a growth rate of 12.0 percent over the same period, while the state of Iowa has experienced a 1.5 percent population increase.

In response to these statistics, a community representative stated that Jasper County experienced a slowing in population growth following the loss of a major manufacturing employer in 2007. The loss of this major employer caused many to leave Jasper County in search of other jobs within the neighboring counties. The contact also mentioned that employment opportunities have more recently begun to grow and believes that population growth within Jasper County will reflect that.

Population Change			
Area	2010 Population	2011-2015 Population	Percentage Change
Jasper County, IA	36,842	36,726	-0.3
Des Moines-West Des Moines, IA MSA	569,633	637,913	12.0
State of Iowa	3,046,355	3,093,526	1.5
<i>Source: U.S. Census Bureau: Decennial Census American Community Survey Data: 2006-2010 U.S. Census Bureau: American Community Survey Data: 2011-2015</i>			

Income Characteristics

The table below presents the median family income (MFI) for families living in Jasper County, IA, the Des Moines MSA, and the state of Iowa. According to ACS data, the 2011-2015 MFI in Jasper County was \$68,685, reflecting a 21.6 percent increase from 2006-2010 data. The MFIs in the Des Moines MSA and the state of Iowa also experienced increases of 5.5 percent and 9.2 percent, respectively. A community representative stated that incomes have increased in Jasper County as the area has become more affluent. Manufacturing jobs have started to return to the area and are offering high-paying union positions. Additionally, the community representative mentioned that there is a large population in Jasper County that commutes into the Des Moines, Iowa metro area, where higher paying jobs exist.

Median Family Income Change			
Area	2006-2010 Median Family Income (In 2010 Dollars)	2011-2015 Median Family Income (In 2015 Dollars)	Percentage Change
Jasper County, IA	56,484	68,685	21.6
Des Moines-West Des Moines, IA MSA	71,705	75,653	5.5
State of Iowa	61,804	67,466	9.2
<i>Source: 2006-2010—U.S. Census Bureau: Decennial Census 2011-2015—U.S. Census Bureau: American Community Survey</i>			

Housing Characteristics

According to the 2011-2015 ACS data, Jasper County had a median housing value of \$117,700 and median gross rent of \$685. The median housing value in the Jasper County experienced a slight increase of 2.7 percent, while the median gross rent experienced a higher increase of 16.9 percent from 2006-2010. The Des Moines MSA had a median housing value of \$158,092, a slight increase of 4.7 percent, and a median gross rent of \$796, a 12.7 percent increase, from 2006-2010. Housing and rent values in the assessment area are more comparable to the state of Iowa; however, both fall below what is seen in the MSA. The state of Iowa had a median housing value of \$129,200, an increase of 8.4 percent, and a median gross rent of \$697, an increase of 13.0 percent.

While the housing values within the assessment area continue to be below both the state of Iowa and Des Moines MSA, the affordability ratio for Jasper County is higher than the affordability ratio for the MSA and state. The affordability ratio provides a method for comparing housing affordability across assessment areas and/or communities. An area with a higher ratio generally has more affordable housing than an area with a lower ratio. Based on the U.S. Census Bureau, the affordability ratio for Jasper County is 0.47, the Des Moines MSA is 0.39, and the state of Iowa is 0.41. This suggests that housing is slightly less affordable in the MSA and the state of Iowa when compared to Jasper County. See Appendix C for more information regarding the affordability ratio.

The following table presents recent housing cost trends within the assessment area, the Des Moines MSA, and the state of Iowa.

Housing Costs Change								
Area	2006-2010 Median Housing Value	2011-2015 Median Housing Value	Percent Change	2006-2010 Median Gross Rent	2011-2015 Median Gross Rent	Percent Change	2006-2010 Affordability Ratio	2011-2015 Affordability Ratio
Jasper County, IA	114,600	117,700	2.7	586	685	16.9	0.40	0.47
Des Moines-West Des Moines, IA MSA	151,057	158,092	4.7	706	796	12.7	0.38	0.39
State of Iowa	119,200	129,200	8.4	617	697	13.0	0.41	0.41

*Source: 2006-2010—U.S. Census Bureau: Decennial Census
2011-2015—U.S. Census Bureau: American Community Survey*

Employment Conditions

The following table presents the unemployment trends for the bank’s assessment area comprising Jasper County, the Des Moines MSA, and the state of Iowa. In 2018, the unemployment rate for Jasper County was 2.6 percent, which is very comparable to the rates shown in both the MSA and the state of Iowa. A steady decline in unemployment rates since 2015 is apparent across all areas reviewed.

A strong manufacturing sector and an increase in the amount of commuting jobs from the neighboring counties were identified by a community representative as key factors in Jasper County’s low unemployment rate. In addition, the representative stated that the wind energy industry is starting to grow within Jasper County, and employment opportunities connected to this industry will also help to serve the area. Jasper County also continues to serve as an option for more affordable living conditions for those who work in the Des Moines, Iowa metro area.

Recent Unemployment Rates				
Area	2015	2016	2017	2018
Jasper County, IA	4.0	3.6	3.1	2.6
Des Moines-West Des Moines, IA MSA	3.6	3.4	2.9	2.4
State of Iowa	3.8	3.7	3.1	2.5

Source: Bureau of Labor Statistics: Local Area Unemployment Statistics

Bankruptcy Trends

According to the Administrative Office of the U.S Courts, in 2018, the bankruptcy filing rates in Jasper County, the Des Moines MSA, and the state of Iowa were 1.5, 1.8, and 1.4 filings per 1,000 in population, respectively. Overall, bankruptcy rates have remained relatively consistent, indicating local and statewide economies have stabilized.

Personal Bankruptcy Filing Rate (per 1,000 population)				
Area	2015	2016	2017	2018
Jasper County, IA	1.9	2.1	1.9	1.5
Des Moines-West Des Moines, IA MSA	1.7	1.7	1.7	1.8
State of Iowa	1.4	1.3	1.3	1.4

Source: Bureau of Labor Statistics: Local Area Unemployment Statistics

Industry Conditions

Based on location quotients developed by the U.S. Bureau of Labor Statistics, the assessment area is most heavily impacted by the promotional advertising, manufacturing, and health care industries. Minimal mass layoffs and company closures have occurred in the assessment area over the past 10 years. The following table presents the largest employers within Jasper County.

Largest Employers in the Assessment Area		
Company	Number of Employees	Industry
Vernon Company	1,000	Advertising - Promotional
Skiff Medical Center	375	Hospitals
Philips Imaging Center At Skiff	350	Diagnostic Imaging Centers
Walmart Supercenter	300	Department Stores
Hy-Vee	300	Grocers - Retail
Progress Industries Incorporated	275	Manufacturers
Progress Industries	270	Manufacturers
Wesley Park Center	200	Residential Care Homes
TPI Composites Iowa LLC	200	Turbines - Manufacturers
Rock Communications LTD	200	Printers - Manufacturers

Source: Business information provided by Infogroup®, Omaha, NE

Community Representatives

A community representative covering the assessment area was contacted to provide understanding of the credit needs and market conditions within the assessment area. The community representative was contacted to provide information regarding local economic conditions and credit needs in the assessment area, while also gaining an understanding of the different challenges within Jasper County.

The representative indicated that the economy in the assessment area has been doing well, especially within the manufacturing sector. Jasper County has experienced a large growth in the wind turbine and renewable energy industry, and this has had a beneficial economic impact on the community. The area also continues to market itself as a more affordable living option for those who want to commute into the Des Moines, Iowa metro area. The community representative did mention the need for more affordable living options, as it is more expensive to build within Jasper County than some of the neighboring counties. The demand for housing will continue to rise as the growth in within the Des Moines, Iowa metro area starts to expand east towards neighboring Jasper County.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Performance standards for small banks consist of the following, as applicable: the bank's loan-to-deposit (LTD) ratio, the percentage of loans and other lending-related activities located in the bank's assessment area, the record of lending to borrowers of different income levels and businesses of different sizes, the geographic distribution of loans, and the record of taking action in response to written complaints. To determine CRA performance, the preceding standards are analyzed and evaluated within the assessment area context, which includes, but is not limited to, comparative analyses of the assessment area and the state and the non-metropolitan portions of the state demographic data on median income, nature of housing stock, housing costs, and other relevant data pertaining to the bank's assessment area.

LENDING TEST

FNNB Bank's performance relative to the lending test is rated Satisfactory. The bank meets the credit needs of the assessment area, providing credit consistent with its asset size, location, and local economic conditions. The loan-to-deposit ratio is reasonable considering the bank's size, financial condition, and assessment area credit needs. A majority of the bank's small business loans were originated in the assessment area. Geographic distribution of loans reflects excellent distribution throughout the assessment area, and lending reflects reasonable penetration among businesses of different sizes. Neither the bank nor this Reserve Bank received any CRA-related complaints since the previous evaluation.

Loan-to-Deposit Ratio

FNNB Bank's LTD ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. Also considered were demographic factors, the bank's lending and deposit

strategy, economic conditions, and lending opportunities within the assessment area. As of December 31, 2020, the bank's average LTD ratio for the 24-quarter period was 64.3 percent. The following table compares the bank's LTD ratio to its local competitors.

While the bank's LTD ratio is substantially lower than its local competitors, the bank's 24-quarter average ratio has increased from 55.0 percent, noted during the previous CRA evaluation, to 64.3 percent at this evaluation. The bank also operates in a competitive market, which is served by several national institutions, local community banks, and credit unions. Ultimately, the bank's LTD ratio was deemed reasonable given the size and complexity of the bank, credit needs of the assessment area, and the high volume of bank competition within surrounding communities.

Comparative Loan-to-Deposit Ratios	
Institution	Loan-to-Deposit Ratio (%)
	24 – Quarter Average
FNNB Bank	64.3
Competitors	
Bank Iowa	80.6
Leighton State Bank	90.3
Great Western Bank	95.4
State Savings Bank	113.3
First State Bank	92.3

Assessment Area Concentration

The following table summarizes the bank's lending inside and outside its assessment area by product. Overall, a majority of the bank's small business loans were originated inside the assessment area. Of the 55 total small business loans sampled during the evaluation period, 78.2 percent, by number, were originated inside the assessment area. Similarly, 73.6 percent of small business loans, by dollar amount, were made within the assessment area. Ultimately, the bank's lending concentration indicates the bank is responsive to the credit needs of the assessment area.

Lending Inside and Outside the Assessment Area								
Loan Type	Inside				Outside			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Small Business	43	78.2	\$2,160	73.6	12	21.8	\$773	26.4
Total Small Business related	43	78.2	\$2,160	73.6	12	21.8	\$773	26.4
Total Loans	43	78.2	\$2,160	73.6	12	21.8	\$773	26.4

Note: Percentages may not add to 100.0 percent due to rounding.
Note: Affiliate loans not included

Geographic Distribution of Loans

FNNB Bank's small business loans originated inside of the assessment area were analyzed to determine the extent to which the bank is making loans in geographies of different income levels.

The bank’s assessment area consists of three moderate-income and six middle-income census tracts. The bank’s geographic distribution of loans reflects excellent dispersion throughout the assessment area. There were no conspicuous gaps in small business lending within the assessment area, as the bank made loans in all the moderate-income census tracts and in two of the six middle-income census tracts comprising the assessment area. A detailed discussion of small business loans in relation to census demographics is provided below.

Small Business Loans

The sample included in this evaluation included 43 small business loans. Of those small business loans, 93.0 percent, by number, were originated to small businesses located in moderate-income census tracts. By dollar volume, the bank originated 88.7 percent of its small business loans in these moderate-income tracts. The bank’s performance was significantly higher than the percentage of total businesses operating in the moderate-income census tracts in the assessment area at 36.7 percent.

The bank made the remainder of its small business loans within the middle-income census tracts, totaling 7.0 percent, by number. By dollar volume, 11.3 percent of small business loans were made in middle-income census tracts. This was significantly below the percentage of total businesses within middle-income census tracts (63.3 percent), as most of the bank’s small business loans were made in moderate-income census tracts. Overall, the bank’s excellent geographic distribution is reflected in the high volume of lending within the moderate-income census tracts in the assessment area.

The following table presents the bank’s 2019 small business lending compared to the selected demographic data.

Geographic Distribution of Small Business Loans						
Assessment Area: 2019 Des Moines-West Des Moines, IA MSA 19780						
	Tract Income Levels	Bank & Demographic Comparison				
		Count Bank		Dollar Bank		Total Businesses
		#	%	\$ 000s	\$ %	%
Small Business	Low	0	0.0	0	0.0	0.0
	Moderate	40	93.0	1,916	88.7	36.7
	Middle	3	7.0	244	11.3	63.3
	Upper	0	0.0	0	0.0	0.0
	Unknown	0	0.0	0	0.0	0.0
	Total	43	100.0	2,160	100.0	100.0

2019 FFIEC Census Data & 2019 Dun & Bradstreet information according to 2015 ACS
 Note: Percentages may not add to 100.0 percent due to rounding

Lending to Businesses of Different Sizes

An analysis of small business loans was conducted to determine the level of lending to businesses of different revenues. Overall, the loan distribution reflects reasonable penetration among small businesses of different sizes, and the bank is responsive to the credit needs within the assessment area. A detailed discussion of small business lending in relation to census demographics is provided below.

Small Business Loans

Small business lending reflects reasonable penetration among businesses of different sizes. In 2019, FNNB Bank originated 83.7 percent, by number, of its small business loans to businesses with annual revenues of \$1.0 million dollars or less. By dollar volume, 61.5 percent of small business loans were made to businesses with annual revenues of \$1.0 million dollars or less. The bank's lending performance is below the percentage of small businesses operating within the assessment area of 91.4 percent.

Of the bank's small business loans made to businesses with annual revenues of \$1.0 million or less, 91.7 percent, by number, were made in amounts of \$100,000 or less. These loans are considered the most beneficial to small businesses and demonstrate the bank's willingness to meet the credit needs of small businesses within the assessment area. The following table provides detailed information on the bank's distribution of small business loans by revenue and loan size from January 1, 2019 through December 31, 2019.

Small Business Lending By Revenue & Loan Size							
Assessment Area: 2019 Des Moines-West Des Moines, IA MSA 19780							
Product Type		Bank & Demographic Comparison					
		2019		2019		Total Businesses %	
Revenue	Loan Size	Count Bank	Dollar Bank				
		#	%	\$ 000s	%		
Small Business	\$1 Million or Less	36	83.7	1,329	61.5	91.4	
		7	16.3	831	38.5		
		43	100.0	2,160	100.0		
	\$100,000 or Less	38	88.4	624	28.9		
		2	4.7	442	20.5		
		3	7.0	1,094	50.6		
		43	100.0	2,160	100.0		
	\$100,001 - \$250,000	1	2.8	230	17.3		
		2	5.6	633	47.6		
		36	100.0	1,329	100.0		
	\$250,001 - \$1 Million	33	91.7	466	35.1		
1		2.8	230	17.3			
2		5.6	633	47.6			
36	100.0	1,329	100.0				

Originations & Purchases
2019 FFIEC Census Data & 2019 Dun & Bradstreet information according to 2015 ACS
Note: Percentages may not add to 100.0 percent due to rounding

Response to Complaints

The bank or this Reserve Bank has not received any CRA-related complaints since the previous examination.

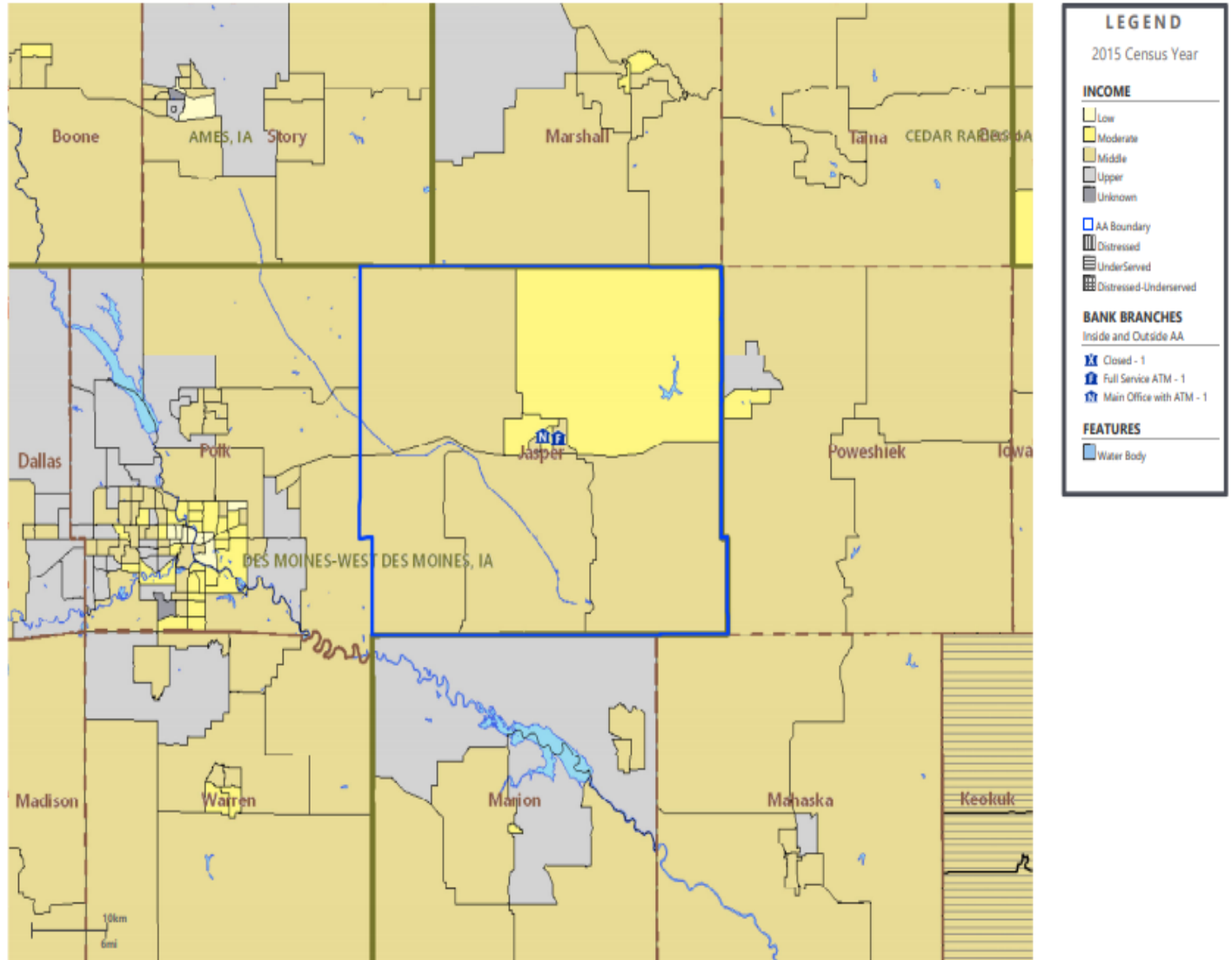
FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

APPENDIX A – Map of Assessment Area

FNNB Bank 242949

Des Moines-West Des Moines, IA MSA 19780



APPENDIX B – Scope of Examination

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED	Lending Test: Small business loans originated from January 1, 2019 through December 31, 2019		
FINANCIAL INSTITUTION FNNB Bank			PRODUCTS REVIEWED Small Business Loans
AFFILIATE(S)	AFFILIATE RELATIONSHIP		PRODUCTS REVIEWED
None	N/A		N/A
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Des Moines-West Des Moines, IA MSA #19780 (Jasper County)	Full Scope	N/A	N/A

APPENDIX C – Glossary

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.

Affordability ratio: To determine housing affordability, the affordability ratio is calculated by dividing median household income by median housing value. This ratio allows the comparison of housing affordability across assessment areas and/or communities. An area with a high ratio generally has more affordable housing than an area with a low ratio.

Aggregate lending: The number of loans originated and purchased by all lenders subject to reporting requirements as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

American Community Survey Data (ACS): The American Community Survey (ACS) data is based on a nationwide survey designed to provide local communities with reliable and timely demographic, social, economic, and housing data each year. The Census Bureau first released data for geographies of all sizes in 2010. This data is known as the “five-year estimate data.” The five-year estimate data is used by the FFIEC as the base file for data used in conjunction with consumer compliance and CRA examinations.²

Area Median Income (AMI): AMI means –

1. The median family income for the MSA, if a person or geography is located in an MSA, or for the metropolitan division, if a person or geography is located in an MSA that has been subdivided into metropolitan divisions; or
2. The statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment area: Assessment area means a geographic area delineated in accordance with section 228.41

Automated teller machine (ATM): An automated teller machine means an automated, unstaffed banking facility owned or operated by, or operated exclusively for, the bank at which deposits are received, cash dispersed or money lent.

Bank: Bank means a state member as that term is defined in section 3(d)(2) of the Federal Deposit Insurance Act (12 USC 1813(d)(2)), except as provided in section 228.11(c)(3), and includes an

² Source: FFIEC press release dated October 19, 2011.

uninsured state branch (other than a limited branch) of a foreign bank described in section 228.11(c)(2).

Branch: Branch refers to a staffed banking facility approved as a branch, whether shared or unshared, including, for example, a mini-branch in a grocery store or a branch operated in conjunction with any other local business or nonprofit organization.

Census tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and 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.

Combined Statistical Area (CSAs): Adjacent metropolitan statistical areas/metropolitan divisions (MSA/MDs) and micropolitan statistical areas may be combined into larger Combined Statistical Areas based on social and economic ties as well as commuting patterns. The ties used as the basis for CSAs are not as strong as the ties used to support MSA/MD and micropolitan statistical area designations; however, they do bind the larger area together and may be particularly useful for regional planning authorities and the private sector. Under Regulation BB, assessment areas may be presented under a Combined Statistical Area heading; however, all analysis is conducted on the basis of median income figures for MSA/MDs and the applicable state-wide non metropolitan median income figure.

Community Development: The financial supervisory agencies have adopted the following definition for community development:

1. Affordable housing, including for multi-family housing, for low- and moderate-income households;
2. Community services tailored to meet the needs of low- and moderate-income individuals;
3. Activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or
4. Activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definitions of community development. Activities that revitalize or stabilize:

- 1) Low- or moderate-income geographies;
- 2) Designated disaster areas; or
- 3) Distressed or underserved nonmetropolitan middle-income geographies

designated by the Board, Federal Deposit Insurance Corporation and Office of the Comptroller of the Currency based on:

- a. Rates of poverty, unemployment or population loss; or
- b. Population size, density and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density and dispersion if they help to meet essential community services including the needs of low- and moderate-income individuals.

Community Development Loan: A community development loan means a loan that:

- 1) Has as its primary purpose community development; and
- 2) Except in the case of a wholesale or limited purpose bank –
 - a. Has not been reported or collected by the bank or an affiliate for consideration in the bank’s assessment as a home mortgage, small business, small farm, or consumer loan, unless it is a multi-family housing loan (as described in the regulation implementing the Home Mortgage Disclosure Act); and
 - b. Benefits the bank’s assessment area(s) or a broader statewide or regional area that includes the bank’s assessment area(s).

Community Development Service: A community development service means a service that:

- 1) Has as its primary purpose community development; and
- 2) Is related to the provision of financial services.

Consumer loan: 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 of loans: motor vehicle, credit card, other consumer secured loan, including a home improvement loan not secured by a dwelling, and other consumer unsecured loan, including a loan for home improvement not secured.

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).

Fair market rent: Fair market rents (FMRs) are gross rent estimates. They include the shelter rent plus the cost of all tenant-paid utilities, except telephones, cable or satellite television service, and internet service. HUD sets FMRs to assure that a sufficient supply of rental housing is available to their program participants. To accomplish this objective, FMRs must be both high enough to

permit a selection of units and neighborhoods and low enough to serve as many low-income families as possible. The level at which FMRs are set is expressed as a percentile point within the rent distribution of standard-quality rental housing units. The current definition used is the 40th percentile rent, the dollar amount below which 40 percent of the standard-quality rental housing units are rented. The 40th percentile rent is drawn from the distribution of rents of all units occupied by recent movers (renter households who moved to their present residence within the past 15 months). HUD is required to ensure that FMRs exclude non-market rental housing in their computation. Therefore, HUD excludes all units falling below a specified rent level determined from public housing rents in HUD's program databases as likely to be either assisted housing or otherwise at a below-market rent, and units less than two years old.

Full review: Performance under the Lending, Investment and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and amount of qualified investments) and qualitative factors (for example, innovativeness, complexity and responsiveness).

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

Home Mortgage Disclosure Act: The statute that requires certain mortgage lenders that do business or have banking offices in metropolitan statistical areas to file annual summary reports of their mortgage lending activity. The reports include data such as the race, gender and income of the applicant(s) and the disposition of the application(s) (for example, approved, denied, and withdrawn).

Home mortgage loans: Are defined in conformance with the definitions of home mortgage activity under the Home Mortgage Disclosure Act and include closed end mortgage loans secured by a dwelling and open-end lines of credit secured by a dwelling. This includes loans for home purchase, refinancing and loans for multi-family housing. It does not include loans for home improvement purposes that are not secured by a dwelling.

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.

Income Level: Income level means:

- 1) Low-income – an 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 census tract;
- 2) Moderate-income – an 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 census tract;

- 3) Middle-income – an 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 census tract; and
- 4) Upper-income – an 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 census tract.

Additional Guidance: .12(m) Income Level: The median family income levels (MFI) for census tracts are calculated using the income data from the United States Census Bureau's American Community Survey and geographic definitions from the Office of Management and Budget (OMB) and are updated approximately every five years (.12(m) Income Level).

Limited-purpose bank: This term refers to a bank that offers only a narrow product line such as credit card or motor vehicle loans to a regional or broader market and for which a designation as a limited-purpose bank is in effect, in accordance with section 228.25(b).

Limited review: Performance under the Lending, Investment and Services test is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, amount of investments and branch office distribution).

Loan location: Under this definition, a loan is located as follows:

- 1) Consumer loan is located in the census tract where the borrower resides;
- 2) Home mortgage loan is located in the census tract where the property to which the loan relates is located;
- 3) Small business and small farm loan is located in the census tract where the main business facility or farm is located or where the loan proceeds have been applied as indicated by the borrower.

Loan product office: This term refers to a staffed facility, other than a branch, that is open to the public and that provides lending-related services, such as loan information and applications.

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 ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development (HUD) 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: A metropolitan statistical area (MSA) or a metropolitan division (MD) as

defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a single core population of at least 2.5 million may be divided into MDs. A metropolitan statistical area that crosses into two or more bordering states is called a multistate metropolitan statistical area.

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

Nonmetropolitan area: This term refers to any area that is not located in a metropolitan statistical area or metropolitan division. Micropolitan statistical areas are included in the definition of a nonmetropolitan area; a micropolitan statistical area has an urban core population of at least 10,000 but less than 50,000.

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: This term refers to any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: This term refers to a state or multistate metropolitan area. For institutions with domestic branch offices in one state only, the institution's CRA rating is the state's rating. If the institution maintains domestic branch offices in more than one state, the institution will receive a rating for each state in which those branch offices are located. If the institution maintains domestic branch offices in at least two states in a multistate metropolitan statistical area, the institution will receive a rating for the multistate metropolitan area.

Small Bank: This term refers to a bank that as of December 31 of either of the prior two calendar years, had assets of less than \$1.252 billion. Intermediate small bank means a small bank with assets of at least \$313 million as of December 31 of both of the prior two calendar years and less than \$1.252 billion as of December 31 of either of the prior two calendar years.

Annual Adjustment: The dollar figures in paragraph (u)(1) of this section shall be adjusted annually and published by the Board, based on the year-to-year change in the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers, not seasonally adjusted, for each 12-month period ending in November, with rounding to the nearest million.

Small Business Loan: This term refers to a loan that is included in "loans to small businesses" as defined in the instructions for preparation of the Consolidated Report of Condition and Income. The loans have original amounts of \$1 million or less and are either secured nonfarm, nonresidential properties or are classified as commercial and industrial loans.

Small Farm: This term refers to a loan that is included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income. These loans have original amounts of \$500 thousand or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Wholesale Bank: This term refers to a bank that is not in the business of extending home mortgage, small business, small farm or consumer loans to retail customers, and for which a designation as a wholesale bank is in effect, in accordance with section 228.25(b).