



PUBLIC DISCLOSURE

July 10, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Clinton National Bank
Charter Number: 994

235 6th Avenue South
Clinton, Iowa 52732

Office of the Comptroller of the Currency

1089 Jordan Creek Parkway, Suite 230
West Des Moines, Iowa 50266

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: Outstanding

The Lending Test is rated: Satisfactory

- The average loan-to-deposit ratio since the previous examination is reasonable compared to similarly situated banks in the assessment area (AA).
- A substantial majority of loans originated during this evaluation period were within the Clinton/Jackson assessment area (AA).
- Borrower distribution reflects reasonable penetration among businesses and farms of different sizes within the AA.
- Geographic distribution reflects excellent dispersion among businesses in different income tracts within the AA.
- There were no complaints regarding the bank's Community Reinvestment Act (CRA) activities.

The Community Development Test is rated: Outstanding

- Qualified investments, donations, and loans for the evaluation period totaled approximately \$1.8 million.
- CNB employees and directors provided 2,042 hours of financial expertise to qualified organizations and individuals during the evaluation period.
- CNB is headquartered in a moderate-income census tract (CT) and participates in the Federal Home Loan Bank's grant program for low income borrowers.

Definitions and Common Abbreviations

The following terms and abbreviations maybe 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 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.

Community Development (CD): 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 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 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 Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county 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) and the Thrift Financial Reporting (TFR) 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

The Clinton National Bank (CNB) is a \$434 million institution headquartered in Clinton, Iowa. Total loans represent \$196 million, or approximately 45 percent, of total assets. The January 2015 CRA examination rated the institution as Satisfactory. CNB is an intrastate financial institution with nine branches in their Clinton/Jackson County assessment area (AA). All branches have lobby and drive-up facilities and ATMs. CNB has 20 ATMs located throughout the AA with multiple locations within Clinton. The main branch and headquarters are located in a moderate-income census tract. CNB is a subsidiary of W.J. Young & Co, also located in Clinton. The holding company does not affect the bank's ability or capacity to meet the needs of the community. CNB's financial position, legal circumstances, product offerings, and prior performance do not negatively affect the ability to serve the community.

Competition is considerable, as there are 12 institutions in the market area, including CNB. CNB has the largest deposit market share at 20.16 percent, or \$303 million, according to the FDIC Deposit Market Share Report. The next highest is Maquoketa State Bank at 15.86, followed by Citizens State Bank at 10.23 percent.

CNB's business focus is traditional community banking products. As of March 31, 2017, CNB's loan portfolio consist of 48 percent commercial loans, 27 percent agricultural loans, 18 percent residential real estate loans, three percent consumer loans, and four percent other loans. CNB does sell a reasonable volume of loans to both the secondary market and other financial institutions.

Scope of the Evaluation

Evaluation Period/Products Evaluated

Based on the loan origination data from January 1, 2015 to May 31, 2017, business and farm loans were the primary products.

Loan Type	% by Dollar Volume of Loans
Business	43.20%
Farm	50.41%
Residential	1.80%
Consumer	4.59%

Source: Bank data

We completed a full scope CRA examination that included a review of CNB's one AA, Clinton/Jackson. Our evaluation period was from January 1, 2015, to May 31, 2017. Our primary products reviewed were business loans and farm loans. Our objective was to determine whether the bank reinvested a significant portion of its deposits locally, with a focus on lending to small businesses and small farms located in low- and moderate-income census tracts of CNB's AA.

Our objective for the CD review was to determine CNB's responsiveness to the CD needs of the community. Our CD test evaluated the bank's record of meeting the needs of its AA through its CD lending activities, qualified donations and investments, and CD services. We considered all CD activities between January 1, 2016 and December 31, 2016.

Selection of Areas for Full-Scope Review

The Clinton/Jackson County AA was included during the review. This is the only AA CNB identified. The AA is comprised of 12 contiguous census tracts (CT) – one in Jackson County, Iowa, and 11 in Clinton County, Iowa. There are three moderate-income CTs, seven middle-income CTs, and two upper-income CTs. All census tracts identified are whole and complete tracts. The AA complies with regulatory requirements and does not arbitrarily exclude any low- or moderate-income tracts. The AA is not part of a metropolitan statistical area or metropolitan division, does not include any distressed or underserved tracts, and does not reflect illegal discrimination. Please see Appendix A of this evaluation for additional information. Please see Appendix B for demographic data.

Ratings

The bank's overall rating is based primarily on those areas that received full-scope reviews. CNB has one AA that is subject to a full-scope review that includes the Lending Test and CD Test.

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

CNB's collective CRA performance is outstanding. Lending activities are satisfactory and community development activities are outstanding.

LENDING TEST

CNB meets the standard for satisfactory performance under the Lending Test. The loan-to-deposit ratio is reasonable, the substantial majority of loans were originated within the assessment area, borrower distribution is satisfactory, and geographic distribution is outstanding. We used business and farm loans as the primary products for the examination.

Loan-to-Deposit Ratio

CNB's loan-to-deposit (LTD) ratio is reasonable and meets the standard for satisfactory performance. The quarterly average LTD ratio since the last performance evaluation was 59.21 percent, excluding loans sold on the secondary market and the portions of originated loans that were participated out to other institutions. When considering all originated loans, the average loan-to-deposit ratio improves to 62.77 percent. The quarterly average LTD ratio for a peer group of four banks with a reasonable presence within CNB's AA ranges between 50.29 and 94.24 percent. Factors contributing to CNB's lower LTD ratio include significant competition within the marketplace, the practice of selling loans on the secondary market, and selling participations.

Lending in Assessment Area

A substantial majority of both business and farm loans are originated within the AA. For business loans, 90 percent by dollar amount and 85 percent by number of loans were originated in the AA. For farm loans, 100 percent of loans by both dollar amount and number were originated in the AA. These meets the standard for outstanding performance. Our sample was comprised of 20 business loans and 20 farm loans.

Table 1 - Lending in Clinton/Jackson										
Loan Type	Number of Loans					Dollars of Loans (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Farm	20	100%	0	0%	20	\$8,117	100%	\$0	0%	\$8,117
Business	17	85%	3	15%	20	\$2,185	90%	\$243	10%	\$2,428
Totals	37	93%	3	8%	40	\$10,302	98%	\$243	2%	\$10,545

Source: Loan sample.

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

CNB's lending to businesses with different levels of revenues reflects reasonable penetration, thus meeting the standard for satisfactory performance. It should be noted that a number of loans in our sample were small dollar loans to businesses with revenues under \$1 million. Considering this factor, the bank's performance by number is more representative of performance under this criterion. During our evaluation period, CNB originated 75 percent of business loans to those with revenues of less than \$1 million. In our sample, the average loan amount to businesses with revenues under \$1 million was \$54 thousand, whereas the average loan amount to businesses with revenues over \$1 million was \$329 thousand.

Table 2A - Borrower Distribution of Loans to Businesses in Clinton/Jackson				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	80.82%	5.28%	13.90%	100%
% of Bank Loans in AA by #	75%	25%	N/A	100%
% of Bank Loans in AA by \$	31%	69%	N/A	100%

Source: Loan sample; Dun and Bradstreet data; 2010 US Census

CNB's lending to farms with different levels of revenues reflects reasonable penetration, thus meeting the standard for satisfactory performance given the performance context and farm demographics of the Clinton/Jackson AA. In our sample, 16 of 20 loans, or 80 percent, were made to farms with revenues ranging from \$32 thousand to \$577 thousand. The bank's performance by number is more representative of performance under this criterion, as larger farms generally require larger loans and therefore would represent a larger percentage of the dollar amount.

Table 2A - Borrower Distribution of Loans to Farms in Clinton/Jackson				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Farms	99.78%	0.22%	0%	100%
% of Bank Loans in AA by #	80%	20%	N/A	100%
% of Bank Loans in AA by \$	17%	83%	N/A	100%

Source: Loan sample; Dun and Bradstreet data; 2010 US Census

Geographic Distribution of Loans

The geographic distribution of business loans reflects an excellent dispersion of lending and meets the standard for outstanding performance. CNB's business exceeds the demographic comparator for business loans in the moderate-income CT. CNB originated 25 percent of loans in the moderate-income CT, determined by a sample of 20 business loans, comparable to the 18 percent of AA businesses located in that tract. Lending to businesses in the middle-income CT also meets the comparator for the middle-income tracts.

Table 3A - Geographic Distribution of Loans to Businesses in Clinton/Jackson								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business	0%	0%	18%	25%	51%	70%	31%	5%

Source: Loan sample; Dun and Bradstreet data; 2010 US Census

The geographic distribution of farm loans reflects a reasonable dispersion of lending and meets the standard for satisfactory performance, even though there were no loans in our loan sample made to farms in a moderate-income census tract. This is not a concern in light of other performance metrics. As of this evaluation, out of 448 identified farms within CNB’s AA, only six are located within a moderate-income level census tract. It would be reasonable to believe that the vast majority of farm loans originated would be to borrowers located in middle- and upper-income level census tract rather than the moderate-income census tract. Thus, we placed more geographic distribution consideration towards business loans.

Table 3A - Geographic Distribution of Loans to Farms in Clinton/Jackson								
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
Farm	0%	0%	2%	0%	81%	60%	17%	40%

Source: Loan sample; Dun and Bradstreet data; 2010 US Census

Responses to Complaints

CNB has not received any CRA-related complaints.

COMMUNITY DEVELOPMENT TEST

CNB’s performance under the CD Test is Outstanding. CD activities were in the form of volunteer hours, CD loans, and donations addressing community service and economic development needs. CNB’s activities demonstrate excellent responsiveness to the CD needs of the AA community. CNB’s main branch and headquarters are located in a moderate-income census tract.

Number and Amount of Community Development Loans

CNB originated 18 CD loans during the evaluation period totaling \$1.8 million. This

demonstrates excellent responsiveness to community needs. The CD loans ranged from small dollar loans (\$2.5 thousand) to larger loans (\$593 thousand). All of the CD loans were granted to businesses and organizations located in a moderate-income CT. One of the larger CD loans was granted to Michael A Callan, DDS, MS, P.C., to renovate his office building and to purchase equipment and fixtures. Most other loans granted were to aid in a business' day-to-day operations.

Number and Amount of Qualified Investments

CNB made a total of \$81 thousand in 25 investments and donations during the evaluation period. This represents an adequate responsiveness to community needs. Investments include contributions to the endowment funds to the Clinton Area Chamber of Commerce and the Clinton Regional Development Corporation. Both organizations focus on providing for and enhancing the community, improving the quality of life, and increasing employment opportunities. Donations are primarily to local organizations serving to benefit low- and moderate-income individuals.

Extent to Which the Bank Provides Community Development Services

CNB employees completed 2,042 hours of qualified volunteer participation during the evaluation period. This demonstrates an excellent responsiveness and dedication to the community. Volunteer positions include treasurers, finance/fiscal committee members, and board members for organizations providing support and development activities targeting low- to moderate-income individuals.

Responsiveness to Community Development Needs

CNB has demonstrated outstanding responsiveness to CD needs in the AA. Constraints in the AA include having only three moderate-income and zero low-income census tracts, as well as the considerable presence of other financial institutions and organizations that provide community assistance and support given the size of the area. Considering these restraints, CNB's community involvement is excellent. CNB offers a free checking account with no required minimum balance and no monthly fee. CNB is headquartered within a moderate income census tract of their AA, increasing access to financial services for low- to moderate-income individuals and helping revitalize and stabilize the moderate-income CT. Two community contact interviewees stated that all financial institutions, including CNB, have done a good job meeting the needs of the community.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, if any, 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 (excludes CD loans): 01/01/15 to 05/31/17 Investment and Service Tests and CD Loans: 01/01/15 to 12/31/16	
Financial Institution	Products Reviewed	
The Clinton National Bank (CNB) Clinton, Iowa	Business loans, Farm 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
Clinton/Jackson	Full-Scope	N/A

Appendix B: Community Profiles for Full-Scope Areas

Clinton/Jackson County

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	12	0.00	25.00	58.33	16.67	0.00
Population by Geography	47,931	0.00	20.88	57.63	21.49	0.00
Owner-Occupied Housing by Geography	14,661	0.00	17.56	60.03	22.41	0.00
Businesses by Geography	2,863	0.00	18.09	50.75	31.16	0.00
Farms by Geography	448	0.00	2.01	81.47	16.52	0.00
Family Distribution by Income Level	12,841	20.68	17.20	20.40	41.71	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	4,865	0.00	28.98	55.29	15.72	0.00
Median Family Income HUD Adjusted Median Family Income for 2017 Households Below the Poverty Level	= \$62,427 = \$63,300 = 13%	Median Housing Value Unemployment Rate		= \$111,774 = 2.47%		

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2010 U.S. Census, and 2017 HUD updated MFI.

The Clinton/Jackson County AA is CNB's only AA. It includes most of Clinton County and a part of Jackson County that connects with Clinton County. CNB operates nine branches and 20 ATMs in the AA while maintaining total deposits that ranged from \$298 and \$364 million. When evaluating the deposit market share within the AA, CNB leads 12 banks that includes main competitors such as Maquoketa State Bank, Citizens First Bank, and Gateway State Bank. Economic conditions are steady and stable, with the primary employment sectors being manufacturing, health care, retail, and education. The Lincolnway Railport area is a focal point for continued development to attract additional business and jobs. Community development opportunities include additional housing. Local community persons have stated that most credit needs in the area are being met.