



PUBLIC DISCLOSURE

November 27, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Liberty National Bank
Charter Number 24378

4425 Singing Hills Boulevard, Sioux City, IA 51106-9707

Office of the Comptroller of the Currency
4900 S. 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, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION'S CRA Rating: This institution is rated **Satisfactory.**

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Outstanding.

- Liberty National Bank's (LNB's) loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and the credit needs of the assessment areas (AAs).¹
- Management originates a majority of its loans to borrowers located within the AAs.
- Sioux City Multistate IA-NE-SD Metropolitan Statistical Area (MMSA), South Dakota State, and Iowa State lending ratings are Satisfactory.
- Community Development (CD) activities represent excellent responsiveness to AA needs and opportunities.
- The OCC has not identified any evidence of discriminatory or other illegal credit practices. No CRA-related complaints were received during the evaluation period.

¹ The net loan-to-deposit ratio and percentage of loans and other lending-related activity in the assessment area only apply to the institution overall. No discussion of these performance criteria applies to sections of the performance evaluation relating to states and multistate metropolitan areas.

Definitions and Common Abbreviations

The following terms and abbreviations are 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/AA.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. CT boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas (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 (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 Housing and Urban Development Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's AAs or outside the AAs provided the bank has adequately addressed the CD 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 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 refinancing's, 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 (MSA): 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 MSA 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 MFI 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 MFI 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 MFI that is at least 120 percent, in the case of a geography.

Description of Institution

LNB is an interstate bank headquartered in Sioux City, Iowa. LNB had total assets of \$385 million and tier one capital of \$35 million as of September 30, 2017. LNB is wholly-owned by Liberty Financial Services, Inc., a one-bank holding company headquartered in Sioux City, Iowa.

LNB operates ten branches and ten cash dispensing (not deposit taking) automated teller machines (ATMs) in four AAs across two states and one MMSA.

- Five branches, including the main branch, are located in the MMSA. Branches are located in Sioux City, IA; North Sioux City, SD; Dakota Dunes, SD; Jefferson, SD; and Elk Point, SD. These five branches comprise the only AA for the MMSA rating area.
- Three branches are located in Sioux Falls, SD. These three branches comprise the Sioux Falls MSA AA, the only AA for the South Dakota state rating area. The South Dakota state rating does not include branches located in the MMSA.
- One branch is located in Iowa's Okoboji nonmetropolitan (Non-MSA) area. One branch is located in Johnston, IA, and comprises the Des Moines MSA AA. Each of these branches are its own AA and together comprise the Iowa state rating. The Iowa state rating does not include branches located in the MMSA.

Management opened two branches since the last CRA evaluation dated August 15, 2011. One branch located in Okoboji, IA opened on December 3, 2012 and one branch located in Johnston, IA opened on May 26, 2015. There have been no mergers or branch closings since the last CRA evaluation.

LNB's primary business strategy is consistent with traditional community bank model. LNB offers a full range of credit products within its AAs including commercial, agriculture, residential real estate, and consumer loans. As of September 30, 2017, gross loans totaled \$299 million, and represented 76 percent of average assets and 854 percent of tier one capital. Loan portfolio composition as of September 30, 2017 included the following:

Loan Type	\$ Volume of Loans (000)	% of Loan Portfolio
Commercial	155,951	52
Agriculture	68,773	23
Residential Real Estate	61,967	21
Consumer	11,960	4
Total Loans	\$298,651	100%

Source: June 30, 2017 Call Report Data

LNB received a Satisfactory rating in its last performance evaluation dated August, 15, 2011. LNB has no financial, legal, or other factors that impede the bank's ability to meet the credit needs of its AAs.

Scope of Evaluation

Evaluation Period/Products Evaluated

LNB was evaluated under the Intermediate Small Bank examination procedures, which include a Lending Test and CD test. The Lending Test evaluates LNB's record of meeting the credit needs of its AAs through its lending activities. The CD Test evaluates LNB's responsiveness to the CD needs in the bank's AAs by providing CD loans, investments, donations, and services.

The Lending Test covers LNB's performance from January 1, 2015 to December 31, 2016. The 2017 MFI data was not available at the time of the examination, so our analysis did not include the current year-to-date loans. The Lending Test evaluated primary loan product(s) originated by management in each AA during the evaluation period. Refer to Appendix A for a list of primary products identified in each AA.

To evaluate lending performance, we selected a random sample of loans originated and purchased during the evaluation period for each primary loan type in each AA. Examiners initially sampled 20 loans per primary product type in each AA and used that information in the lending analysis. The commercial loan sample in the MMSA, Sioux Falls MSA AA, and the Des Moines MSA were expanded to 60 loans each for a total of 180 loans to provide a larger sample size. Loan data was compared to 2010 U.S. Census data and Dunn and Bradstreet (D&B) data as of June 30, 2016.

The CD Test covers LNB's performance from August 16, 2011 to November 27, 2017. We reviewed all CD loans, investments, donations, and services submitted by LNB management to ensure they met the CD definition. We excluded from this evaluation some items submitted for consideration because they did not meet the definition or purpose of CD.

Selection of Areas for Full-Scope Review

LNB has four AAs. All AAs received a full scope review. One AA in each state and multistate MSA is required. The MMSA is its own AA. Sioux Falls MSA AA is the only AA that comprises the South Dakota state rating. The Iowa Non-MSA and Des Moines MSA AAs are the two AAs that comprise the Iowa state rating. Both AAs in the state of Iowa were selected for a full-scope review because both branches were opened during the evaluation period, have similar deposit and lending volume, and they have not previously received a full scope review. Refer to Appendix A for more information.

Ratings

LNB's overall rating is a blend of the MMSA rating and South Dakota and Iowa state ratings. The MMSA rating was given the most weight because the MMSA accounts for the majority of LNB's branches, deposit activity, and loan volume. Five of the LNB's ten branches are in the MMSA. Approximately 65 percent of the bank's deposits and 47 percent of loan originations are in the MMSA.

The institution's CRA rating takes into account the ratings in different Multistate MSAs and states by considering:

- The significance of the bank's activities in each multistate MSA and state compared with the bank's overall activities.
- The lending opportunities in each multistate MSA and state.
- The importance of the bank in providing loans to each multistate MSA and state, particularly in light of the number of other institutions and the extent of their activities in each multistate MSA and state.
- Demographic and economic conditions in each multistate MSA state.

Refer to the "Scope" section under each State and Multistate MSA Rating section for details regarding how the areas were weighted in arriving at the respective ratings.

The multistate MSA ratings and state ratings are based primarily on those areas that received full-scope reviews. Refer to the "Scope" section under each State and Multistate Metropolitan Area Rating section for details regarding how the areas were weighted in arriving at the respective ratings.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR25.28(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 Criteria

LNB's performance under the Lending Test is Satisfactory. LNB's LTD ratio is reasonable and LNB originates a majority of loans inside the bank's AAs. LNB's performance under the Lending Test for the MMSA, South Dakota state, and Iowa state ratings are satisfactory.

Loan-to-Deposit Ratio

LNB's LTD ratio is reasonable given the bank's size, financial condition, and the AA's credit needs. LNB's average quarterly net LTD ratio was 79 percent for the 26 quarters from June 30, 2011 through September 30, 2017. During this period, the ratio ranged from a quarterly low of 62 percent to a quarterly high of 102 percent.

The bank's net LTD ratio is reasonable when compared with other community banks of similar size and operating within at least one of LNB's designated AAs. LNB ranks fourth among five similarly-situated banks serving the AAs. The average LTD ratio for similar banks was 80 percent for the 26 quarters from June 30, 2011 through September 30, 2017. The ratio ranged from an average quarterly low of 48 percent to an average quarterly high of 99 percent.

Lending in Assessment Area

Management originated a majority of its loans to borrowers located inside its designated AAs during the evaluation period. We reviewed 80 business and 40 farm loans originated between January 1, 2015 and December 31, 2016. Management originated 65 percent by number and 64 percent by dollar volume to borrowers within LNB's designated AAs.

Table 1 details the bank's lending within its AAs by number and dollar volume.

Table 1 - Lending in Sioux City Multistate MSA, Sioux Falls MSA, Iowa Non-MSA, and Des Moines MSA AAs										
Loan Type	Number of Loans					Dollars of Loans (\$000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business Loans	67	84	13	16	80	14,795	84	2,853	16	17,648
Farm Loans	10	25	30	75	40	1,151	16	6,176	84	7,327
Total	77	64	43	36	120	15,946	64	9,029	36	24,975

Source: Loan Sample

Multistate Metropolitan Area Rating

Sioux City IA-NE-SD Multistate Metropolitan Area

CRA rating for the MMSA²: **Satisfactory**

The Lending Test is rated: **Satisfactory**

The Community Development test is rated: **Outstanding**

- The borrower distribution of loans to businesses and farms of different sizes reflects reasonable penetration of AA demographics.
- The geographic distribution of loans to CTs of different income levels reflects reasonable dispersion throughout the AA's low- and moderate-income CTs.
- CD activities, especially investments, represent excellent responsiveness to AA needs and opportunities.

Description of Institution's Operations in the MMSA

LNB operates five branches and five cash-dispensing ATMs in the only AA in the Sioux City IA-NE-SD MMSA. The MMSA AA is reasonable and complies with regulatory requirements. Management does not arbitrarily exclude any low-and moderate-income (LMI) CTs. The MMSA AA includes portions of the MMSA (#43580). The AA includes all of Union County in South Dakota, portions of Woodbury County in Iowa, and portions of Dakota County in Nebraska.

As of June 30, 2017, LNB reported \$193 million in deposits in the MMSA AA. This represents 65 percent of LNB's total deposits. According to FDIC market share information as of June 30, 2017, LNB ranked fifth in deposit market share in the AA with a market share of 7 percent. Management originated 750 loans totaling \$161 million in the AA during the evaluation period. This represents 47 percent of total loan originations by number and 47 percent by dollar during the evaluation period. The primary lending products in the MMSA AA are commercial and agricultural loans.

The MMSA AA includes 28 CTs. One CT is low-income, 7 CTs are moderate-income, 14 CTs are middle-income, and 6 are upper-income. According to the 2010 U.S. Census, 121,432 lived in the AA. The FFIEC updated MFI for 2016 was \$60,900. Thirteen percent of the households in the AA lived below the poverty level. There were 7,798 businesses in the AA as of June 30, 2016. Ninety-five percent of the businesses were non-farm operations and 68 percent of total businesses employed fewer than 5 people.

² This rating reflects performance within the multistate metropolitan area. The statewide evaluations do not reflect performance in the parts of those states contained within the multistate metropolitan area.

Competition in the MMSA AA is strong. As of June 30, 2017, there were 25 deposit-taking institutions operating a total of 57 banking offices in the MMSA AA. Competition in the AA includes branches of large national banks, regional banks, and locally-owned institutions.

Refer to the market profiles in Appendix B for detailed demographics and other performance context information for the AAs that received a full scope review.

Scope of Evaluation in MMSA

We completed a full-scope review of the MMSA AA. The MMSA rating is based wholly on the results of this review. Refer to Appendix A for more information on AAs which received full-scope reviews.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN SIOUX CITY IA-NE-SD MULTISTATE MSA

LNB's performance under the Lending in the MMSA is rated Satisfactory. LNB's performance under the CD Test in the MMSA is rated Outstanding. The overall Multistate MSA rating is satisfactory because the Lending Test performance was not strong enough to reflect an overall outstanding performance with poor commercial borrower distribution.

LENDING TEST

LNB's performance under the Lending Test in the MMSA is rated Satisfactory. Agriculture and commercial loans are the primary products in the AA and carry equal weight in the MMSA rating. Borrower and geographic distribution conclusions received equal weight. Borrower and geographic distribution for agriculture loans and the geographic distribution for commercial loans are reasonable.

Lending to Farms and Businesses of Different Sizes

The distribution of loans to farms of different sizes reflects reasonable penetration of the AA demographics. The distribution of loans to businesses of different sizes reflects poor penetration of the AA demographics.

Ninety-seven percent of AA farms reported gross annual revenue (GAR) of \$1 million or less in the 2010 U.S. Census. Ninety percent of LNB's agriculture loans by number and eighty-seven percent by dollar were to farms with GAR of \$1 million or less. This represents satisfactory performance.

Table 2 includes the data used to evaluate the borrower distribution of agriculture loans in the MMSA AA.

Table 2 - Borrower Distribution of Loans to Farms in the Sioux City Multistate MSA AA				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	97	2	1	100
% of Bank Loans in AA by #	90	5	5	100
% of Bank Loans in AA by \$	87	12	1	100

Source: 2010 U.S. Census data, D&B as of June 2016, Loan Sample (expanded to 60 loans inside the AA)

Seventy-six percent of AA businesses reported GAR of \$1 million or less in the 2010 U.S. Census. Forty-seven percent of LNB's commercial loans by number and thirty-two percent by dollar were to businesses with GAR of \$1 million or less. This represents poor performance. The percent of loans by dollar is skewed by two large loans to two large businesses, totaling 32 percent of the total commercial sample by dollar.

Table 2A includes the data used to evaluate the borrower distribution of commercial loans in the MMSA AA.

Table 2A - Borrower Distribution of Loans to Businesses in Sioux City Multistate MSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Business	76	8	16	100
% of Bank Loans in AA by #	47	41	12	100
% of Bank Loans in AA by \$	32	66	2	100

Source: 2010 U.S. Census data, D&B as of June 2016, Loan Sample (expanded to 60 loans inside the AA)

Geographic Distribution of Loans

The geographic distribution of agriculture and commercial loans reflects reasonable dispersion throughout the MMSA AA's low- and moderate-income CTs.

Nine percent of AA farms were located in moderate-income CTs in 2016. None of the loans in our agriculture sample were made to farms in moderate-income CTs. We concluded this performance was reasonable due to the limited opportunity to lend to these CTs in the AA. Additionally, management's strategy is to originate agriculture loans in the four Union County branches, not the Woodbury County branch. No AA farms are located in the AA's only low-income CT.

Table 3 includes the data used to evaluate the geographic distribution of agriculture loans in the MMSA AA.

Table 3 - Geographic Distribution of Loans to Farms in Sioux City Multistate MSA 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
Farm Loans	0	0	9	0	49	50	42	50

Source: 2010 U.S. Census data, D&B as of June 2016, Loan Sample

Two percent of AA businesses were located in low-income CTs in 2016. Two percent of LNB's commercial loans by number were to businesses located in the low-income CT during the evaluation period. Twenty-nine percent of AA businesses were located in moderate-income CTs in 2016. Twenty-two percent of LNB's commercial loans by number were to businesses located in moderate-income CTs during the evaluation period. This represents satisfactory performance.

Table 3A includes the data used to evaluate the geographic distribution of commercial loans in the MMSA AA.

Table 3A - Geographic Distribution of Loans to Businesses in Sioux City Multistate MSA AA								
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 Loans	2	2	29	22	36	16	33	60

Source: 2010 U.S. Census data, D&B as of June 2016, Loan Sample

Responses to Complaints

Neither the OCC nor the bank received any complaints related to LNB's CRA performance in the MMSA during the evaluation period.

COMMUNITY DEVELOPMENT TEST

LNB's performance under the CD Test in the MMSA is rated outstanding. Aggregate CD activities demonstrated excellent responsiveness to CD needs and opportunities in the MMSA. CD investments and donations totaled \$2.6 million. This represents 11 percent of the MMSA's allocated tier one capital as of September 30, 2017. Five bank employees provided 226 service hours to 5 qualified CD organizations during the evaluation period.

Number and Amount of Community Development Loans

CD loans demonstrated poor responsiveness to CD needs and opportunities in the MMSA AA during the evaluation period. Management did not originate any CD loans in the MMSA AA during the evaluation period.

Number and Amount of Qualified Investments

CD investments demonstrated excellent responsiveness to CD needs and opportunities in the MMSA AA during the evaluation period. Management purchased four investments totaling \$1.6 million in the MMSA AA during the evaluation period. All of these investments supported educational services primarily targeted to low- and moderate-income individuals. LNB also received credit for one investment purchased in a prior period still outstanding with a balance of \$965 thousand as of October 30, 2017. The investment supported affordable housing to low- and moderate-income individuals.

Management made two qualified donations totaling \$5 thousand to two organizations in the MMSA AA during the evaluation period. Both donations supported organizations who provide community services primarily to low- and moderate-income individuals.

Extent to Which the Bank Provides Community Development Services

LNB's record of providing CD services in the MMSA AA is adequate. Five employees provided 226 hours to five qualified CD organizations during the evaluation period. Examples of CD services provided by bank staff include:

- Committee Chair for an organization providing affordable housing.
- Board member of an organization who primarily provides affordable housing and services to LMI individuals.
- Board member to an economic development organization who primarily serves small businesses and originates Small Business Administration 504 loans.

Responsiveness to Community Development Needs

LNB's CD activities in aggregate in the MMSA AA represent excellent responsiveness to CD needs in the AA. CD activities are consistent with the CD needs identified by community contacts in the AA.

State Rating

State of South Dakota

CRA rating for South Dakota: Satisfactory.

The Lending Test is rated: Satisfactory.

The Community Development test is rated: Outstanding.

- Reasonable loan distribution to borrowers of different income levels and borrowers located in CTs of different income levels.
- CD activities, especially loans, represent excellent responsiveness to AA needs and opportunities.

Description of Institution's Operations in South Dakota

LNB operates three branches and three cash-dispensing ATMs in the Sioux Falls MSA AA, LNB's only AA in the state of South Dakota. The Sioux Falls MSA AA is reasonable and complies with regulatory requirements. Management does not arbitrarily exclude any LMI CTs. The Sioux Falls MSA AA includes portions of Minnehaha and Lincoln Counties, which are part of the Sioux Falls MSA (#43620) in South Dakota.

As of June 30, 2017, LNB reported \$113 million of deposits in the Sioux Falls MSA AA. This represents 24 percent of LNB's total deposits as of that date. According to FDIC market share information as of June 30, 2017, LNB ranked 17th in deposit market share in the AA with a market share of 0.01 percent. Management originated 546 loans totaling \$113 million in the AA during the evaluation period. This represents 34 percent of total loan originations by number and 33 percent of total loan originations by dollar during the evaluation period. The primary lending product in the Sioux Falls MSA AA is commercial loans.

The Sioux Falls MSA AA includes 48 CTs. Fourteen of the CTs are moderate-income, 22 CTs are middle-income, and 12 CTs are upper-income. There were no low-income CTs in the AA. According to the 2010 U.S. Census, 196,752 people lived in the AA. The FFIEC updated MFI for 2016 was \$72,000. Nine percent of the households in the AA lived below the poverty level. There were 14,436 businesses in the AA as of June 30, 2016. Ninety-six percent of the businesses were non-farm operations and 69 percent of total businesses employed fewer than five people.

Competition in the Sioux Falls MSA AA is strong. As of June 30, 2017, there were 36 deposit-taking institutions operating a total of 141 banking offices in the Sioux Falls MSA AA. Competition in the AA includes branches of large national banks, regional banks, and locally-owned institutions. Several other lenders, who are not included in the numbers above because they do not accept deposits, also have operations in the Sioux Falls MSA AA. Two large national banks control 98 percent of the MSA's deposit market share.

Scope of Evaluation in South Dakota

We completed a full-scope review of the Sioux Falls AA because it is the only AA in the state of South Dakota. The South Dakota state rating is based wholly on the results of this review. Refer to Appendix A for more information on AAs which received full-scope reviews.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN SOUTH DAKOTA

LNB's performance under the Lending Test in the state of South Dakota is rated Satisfactory. LNB's performance under the CD Test in the state of South Dakota is rated Outstanding. The overall state rating is satisfactory because the Lending Test performance was not strong enough to reflect an overall outstanding performance with poor commercial borrower distribution.

LENDING TEST

LNB's performance under the Lending Test in the state of South Dakota is rated Satisfactory. Commercial loans is the primary product in the AA. Borrower and geographic distribution received equal weight. The geographic distribution of loans to CTs of different income levels reflects excellent dispersion throughout the AA's and moderate-income CTs. However, the borrower distribution of loans to businesses of different sizes reflects poor penetration of AA demographics. The results were impacted by one large business located in a moderate-income CT. The borrower represented 27 percent of the total loan sample by number and 15 percent of the total loan sample by dollar.

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

The distribution of loans to businesses of different sizes reflects poor penetration of the AA demographics.

Eighty percent of AA businesses reported GAR of \$1 million or less in the 2010 U.S. Census. Forty-two percent of commercial loans by number and fifty-two percent by dollar were to businesses with GAR of \$1 million or less. This represents poor performance.

Table 4 includes the data used to evaluate the borrower distribution of commercial loans in the Sioux Falls MSA AA.

Table 4 - Borrower Distribution of Loans to Businesses in Sioux Falls MSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Business	80	8	12	100
% of Bank Loans in AA by #	42	50	8	100
% of Bank Loans in AA by \$	52	47	1	100

Source: 2010 U.S. Census data, D&B as of June 2016, Loan Sample (expanded to 60 loans inside the AA)

Geographic Distribution of Loans

The geographic distribution of commercial loans reflects excellent dispersion throughout the Sioux Falls MSA AA's moderate-income CTs.

Forty percent of AA businesses were located in moderate-income CTs in 2016. Forty-eight percent of LNB's commercial loans by number were to businesses located in moderate-income CTs during the evaluation period. This represents outstanding performance.

Table 5 includes the data used to evaluate geographic distribution of commercial loans in the Sioux Falls MSA AA.

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 Loans	0	0	40	48	38	23	22	29

Source: 2010 U.S. Census data, D&B as of June 2016, Loan Sample (expanded to 60 loans inside the AA)

Responses to Complaints

Neither the OCC nor the bank received any complaints related to LNB's CRA performance in the Sioux Falls MSA AA during the evaluation period.

COMMUNITY DEVELOPMENT TEST

LNB's performance under the CD Test in the state of South Dakota is rated outstanding. Aggregate CD activities demonstrated excellent responsiveness to CD needs and opportunities in the state's AA. CD loans and donations totaled \$1.2 million. This represents 14 percent of the state's allocated tier one capital as of September 30, 2017.

Number and Amount of Community Development Loans

CD loans demonstrated excellent responsiveness to CD needs and opportunities in the Sioux Falls MSA AA. Management originated two CD loans totaling \$1.2 million in the Sioux Falls MSA AA during the evaluation period. This represents 14 percent of the AA's allocated tier one capital as of September 30, 2017. One loan provided funding for an affordable housing project and one loan supported an organization that provided community services primarily to LMI individuals.

Number and Amount of Qualified Investments

CD investments demonstrated adequate responsiveness to CD needs and opportunities in the Sioux Falls MSA AA during the evaluation period. In aggregate, CD investments and

donations totaled \$2 thousand during the evaluations period. This represents less than one percent of the AA's allocated tier one capital as of June 30, 2017.

Management did not purchase any CD investments in the Sioux Falls MSA AA during the evaluation period.

Management made one qualified donation totaling \$2 thousand to one organization in the Sioux Falls MSA AA during the evaluation period. The donation supported a community service organization primarily serving LMI individuals.

Extent to Which the Bank Provides Community Development Services

CD services and the retail branch structure demonstrated adequate responsiveness to CD needs and opportunities in LNB's AAs during the evaluation period. LNB operates two branches and two cash-dispensing ATMs in a moderate-income CT in the Sioux Falls MSA AA.

LNB's record of providing CD services in the Sioux Falls MSA AA is poor. No employees provided any service hours to qualified CD organizations during the evaluation period.

Responsiveness to Community Development Needs

LNB's CD activities in the Sioux Falls MSA AA represent excellent responsiveness to CD needs in the AA. CD activities are consistent with the CD needs identified by community contacts in the AA.

State Rating

State of Iowa

CRA rating for Iowa: **Satisfactory**.

The Lending Test is rated: **Satisfactory**.

The Community Development test is rated: **Outstanding**.

- The borrower distribution of loans to businesses of different sizes reflects reasonable penetration of AA demographics.
- The geographic distribution of loans to CTs of different income levels reflects reasonable dispersion throughout the AA's low- and moderate-income CTs.
- CD activities, especially loans, represent excellent responsiveness to AA needs and opportunities.

Description of Institution's Operations in Iowa

LNB operates two branches and two cash-dispensing ATMs in two AAs in the state of Iowa. The two AAs are the Non-MSA AA and the Des Moines MSA AA.

Non-MSA AA

LNB operates one branch and one cash-dispensing ATM in the Non-MSA AA. The Non-MSA AA is reasonable and complies with regulatory requirements. Management does not arbitrarily exclude any LMI CTs. The Non-MSA AA includes all of Dickinson County in rural Iowa.

As of June 30, 2017, LNB reported \$17 million of deposits in the Non-MSA AA. This represents 6 percent of LNB's total deposits as of that date. According to FDIC market share information as of June 30, 2017, LNB ranked 8th in deposit market share in the AA with a market share of 2 percent. Management originated 175 loans totaling \$26 million in the AA during the evaluation period. This represents 11 percent of total loan originations by number and 8 percent of total loan originations by dollar during the evaluation period. The primary lending products in the Non-MSA AA are agriculture and commercial loans.

The Non-MSA AA includes 5 CTs. All are middle-income CTs. According to the 2010 U.S. Census, 16,667 people lived in the AA. The FFIEC updated MFI for 2016 was \$63,300. Nine percent of the households in the AA lived below the poverty level. There were 1,925 businesses in the AA as of June 30, 2016. Eighty-nine percent of the businesses were non-farm operations and 74 percent of total businesses employed fewer than five people.

Competition in the Non-MSA AA is moderate. As of June 30, 2017, there were eight deposit-taking institutions operating a total of 14 banking offices in the Non-MSA AA. Competition in the AA includes locally-owned institutions.

Des Moines MSA AA

LNB operates one branch and one cash-dispensing ATM in the Des Moines MSA AA. The Des Moines MSA AA is reasonable and complies with regulatory requirements. Management does not arbitrarily exclude any LMI CTs. The Des Moines MSA AA includes all of Polk County and portions of Dallas and Warren Counties, which are part of the Des Moines MSA (#19780) in Iowa.

As of June 30, 2017, LNB reported \$13 million of deposits in the Des Moines MSA AA. This represents 4 percent of LNB's total deposits as of that date. According to FDIC market share information as of June 30, 2017, LNB ranked 38th in deposit market share in the AA with a market share of 0.08 percent. Management originated 129 loans totaling \$42 million in the AA during the evaluation period. This represents 8 percent of total loan originations by number and 12 percent of total loan originations by dollar during the evaluation period. The primary lending product in the Des Moines MSA AA is commercial loans.

The Des Moines MSA AA includes 111 CTs. Eight of the CTs are low-income, 28 CTs are moderate-income, 44 CTs are middle-income, 30 CTs are upper-income, and one CT did not have an income level. According to the 2010 U.S. Census, 493,679 people lived in the AA. The FFIEC updated MFI for 2016 was \$76,900. Nine percent of the households in the AA lived below the poverty level. There were 39,434 businesses in the AA as of June 30, 2016. Ninety-seven percent of the businesses were non-farm operations and 72 percent of total businesses employed fewer than five people.

Competition in the Des Moines MSA AA is strong. As of June 30, 2017, there were 42 deposit-taking institutions operating a total of 201 banking offices in the Des Moines MSA AA. Competition in the AA includes branches of large national banks, regional banks, and locally-owned institutions.

Scope of Evaluation in Iowa

We completed a full-scope review of the Non-MSA AA and the Des Moines MSA AA because both AAs are new since the prior CRA examination and have not received a full-scope review. Full scope reviews consider quantitative and qualitative factors, as well as performance context factors. The Iowa state rating is based wholly on the results of these full-scope reviews. The Non-MSA AA and Des Moines MSA AA received equal weight in the Iowa state rating. Refer to Appendix A for more information on AAs which received full-scope reviews.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN IOWA

LNB's performance under the Lending in the state of Iowa is rated Satisfactory. LNB's performance under the CD Test in the state of Iowa is rated Outstanding. The overall state rating is satisfactory because the Lending Test performance was not strong enough to reflect an overall outstanding performance with very poor commercial borrower distribution.

LENDING TEST

LNB's performance under the Lending Test in the state of Iowa is rated Satisfactory. The borrower and geographic distribution received equal weight.

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

The distribution of loans to businesses of different sizes is reasonable. LNB's performance in the Non-MSA AA was excellent. LNB's performance in the Des Moines MSA AA was very poor.

Non-MSA AA

The distribution of commercial loans to businesses of different sizes reflects excellent penetration of the Non-MSA AA's demographics. We were unable to complete a borrower distribution analysis for agriculture loans in the Non-MSA AA because management did not originate 20 agriculture loans inside the Non-MSA AA during the evaluation period.

Eighty-three percent of AA businesses reported GAR of \$1 million or less in the 2010 U.S. Census. Ninety percent of commercial loans by number and eighty-nine percent by dollar were to businesses with GAR of \$1 million or less. This represents outstanding performance.

Table 6 includes the data used to evaluate the borrower distribution of commercial loans in the Non-MSA AA.

Table 6 - Borrower Distribution of Loans to Businesses in Iowa Non-MSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Business	83	5	12	100
% of Bank Loans in AA by #	90	10	0	100
% of Bank Loans in AA by \$	89	11	0	100

Source: 2010 U.S. Census data, D&B as of June 2016, Loan Sample (expanded to 60 loans inside the AA)

Des Moines MSA AA

The distribution of commercial loans to businesses of different sizes reflects very poor penetration of the Des Moines MSA AA's demographics.

Eighty-two percent of AA businesses reported GAR of \$1 million or less in the 2010 U.S. Census. Forty-three percent of commercial loans by number and twenty-six percent by dollar were to businesses with GAR of \$1 million or less. This represents very poor performance.

Table 7 includes the data used to evaluate the borrower distribution of commercial loans in the Des Moines MSA AA.

Table 7 - Borrower Distribution of Loans to Businesses in Des Moines MSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Business	82	6	12	100
% of Bank Loans in AA by #	43	57	0	100
% of Bank Loans in AA by \$	26	74	0	100

Source: 2010 U.S. Census data, D&B as of June 2016, Loan Sample (expanded to 60 loans inside the AA)

Geographic Distribution of Loans

The geographic distribution of loans to CTs of different income levels is reasonable. LNB's performance in the Des Moines MSA AA is reasonable.

A geographic distribution analysis for the Non-MSA AA was not meaningful because there are no low or moderate-income CTs in the AA.

Des Moines MSA AA

The geographic distribution of commercial loans reflects reasonable dispersion throughout the Des Moines MSA AA's low- and moderate-income CTs.

Twelve percent of AA businesses were located in low-income CTs in 2016. Thirteen percent of LNB's commercial loans by number were to businesses located in the low-income CT during the evaluation period. Sixteen percent of AA businesses were located in moderate-income CTs in 2016. Seven percent of LNB's commercial loans by number were to businesses located in moderate-income CTs during the evaluation period. This represents satisfactory performance.

Table 8 includes the data used to evaluate the geographic distribution of commercial loans in the Des Moines MSA AA.

Table 8 - Geographic Distribution of Loans to Businesses in Des Moines MSA AA								
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 Loans	12	13	16	7	37	32	35	48

Source: 2010 U.S. Census data, D&B as of June 2016, Loan Sample (expanded to 60 loans inside the AA)

Responses to Complaints

Neither the OCC nor the bank received any complaints related to LNB's CRA performance in the state of Iowa during the evaluation period.

COMMUNITY DEVELOPMENT TEST

LNB's performance under the CD Test in the state of Iowa is rated outstanding. Aggregate CD activities demonstrated excellent responsiveness to CD needs and opportunities in the state's AA. CD loans totaled \$3.9 million. This represents 105 percent of the state's allocated tier one capital as of September 30, 2017.

CD activities were excellent in the Des Moines MSA AA. There were no CD activities in the Non-MSA; however, this is reasonable given the limited opportunities in the Non-MSA AA. The number and amount of CD activities below are solely located in the Des Moines MSA AA.

Number and Amount of Community Development Loans

Des Moines MSA AA

CD loans demonstrated excellent responsiveness to CD needs and opportunities in the Des Moines MSA AA during the evaluation period. Management originated six CD loans totaling \$3.9 million in the Des Moines MSA AA during the evaluation period. This represents 247 percent of the AA's allocated tier one capital as of September 30, 2017. Two loans provided funding for affordable housing and four loans promoted economic development.

Number and Amount of Qualified Investments

CD investments demonstrated poor responsiveness to CD needs and opportunities in the state of Iowa AAs during the evaluation period. Management did not purchase or make any CD qualified investments or donations in the Des Moines MSA AA or the Non-MSA AA during the evaluation period.

Extent to Which the Bank Provides Community Development Services

Des Moines MSA AA

LNB's record of providing CD services in the Des Moines MSA AA is poor. One employee provided 50 service hours to one qualified CD organization during the evaluation period. The organization provides affordable housing and community services to LMI individuals.

Responsiveness to Community Development Needs

LNB's CD activities in the state of Iowa represent excellent responsiveness to CD needs in the state. CD activities are consistent with the CD needs identified by community contacts in the Iowa AAs.

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”) 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 12/31/16) Investment and Service Tests and CD Loans: (08/16/11 to 11/21/17)	
Financial Institution	Products Reviewed	
Liberty National Bank (LNB) Sioux City, Iowa	Commercial loans, Agriculture loans, CD loans, CD investments, and CD services.	
Affiliate(s)	Affiliate Relationship	Products Reviewed
None		
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Sioux City IA-NE-SD Multistate MSA #43580	Full scope	Metropolitan area including all of Union County, SD and portions of Woodbury County, IA and Dakota County, NE. Primary products: commercial loans and agriculture loans.
South Dakota Sioux Falls MSA #43620	Full scope	Metropolitan area including portions of Minnehaha and Lincoln counties. Primary product: commercial loans.
Iowa Non-MSA AA	Full scope	Rural county of Dickinson in Iowa. Primary products: commercial and agriculture loans.
Des Moines MSA #19780	Full scope	Metropolitan area including all of Polk County and portions of Dallas and Warren counties. Primary product: commercial loans.

Appendix B: Summary of Multistate Metropolitan Area and State Ratings

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RATINGS - LIBERTY NATIONAL BANK			
Overall Bank:	Lending Test Rating	Community Development Test Rating	Overall Bank/State/Multistate Rating
LIBERTY NATIONAL BANK	Satisfactory	Outstanding	Satisfactory
Multistate Metropolitan Area or State:			
SIOUX CITY IA-NE-SD MULTISTATE MSA	Satisfactory	Outstanding	Satisfactory
SOUTH DAKOTA	Satisfactory	Outstanding	Satisfactory
IOWA	Satisfactory	Outstanding	Satisfactory

Appendix C: Community Profiles for Full-Scope Areas

Sioux City IA-NE-SD Multistate MSA AA

Demographic Information for Full-Scope Area: MMSAAA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	28	4	25	50	21	0
Population by Geography	121,432	1	23	50	26	0
Owner-Occupied Housing by Geography	30,656	0	17	52	31	0
Non-Farm Businesses by Geography	7,412	2	29	36	33	0
Farms by Geography	386	2	25	39	34	0
Family Distribution by Income Level	30,687	22	19	23	36	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	30,687	1	22	50	27	0
Median Family Income	= \$58,056	Median Housing Value = \$106,694 Unemployment Rate = 2.5% as of October 2017				
FFIEC Updated Median Family Income for 2016	= \$60,900					
Households Below the Poverty Level	= 5,846 or 13% of total households					

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2010 U.S. Census, and 2016 FFIEC updated MFI.

The MMSA AA includes portions of the MMSA (#43580). The AA includes all of Union County in South Dakota, portions of Woodbury County in Iowa, and portions of Dakota County in Nebraska. The AA complies with regulatory requirements and does not arbitrarily exclude any low- or moderate-income CTs. Management did not include the entire MSA because they cannot reasonably serve the entire area based on the current branch structure. The information above is limited to LNB's AA.

The MMSA AA represents LNB's major market and includes the bank's main branch located in Sioux City, Iowa. LNB operates five branches and five cash-dispensing ATMs in the MMSA. As of June 30, 2017, LNB reported \$193 million of deposits in the MMSA. This represents 65 percent of LNB's total deposits. According to FDIC market share information as of June 30, 2017, LNB ranked fifth in deposit market share with a market share of 7 percent.

Over the evaluation period, management originated 47 percent of the bank's originated loans by number and dollar in the MMSA AA. Management's primary lending products in the AA are commercial loans at all branch locations and agricultural loans in the more rural Union County, South Dakota branches. However, LNB offers a full range of credit products in the AA including residential real estate and consumer loans.

Competition in the MMSA AA is strong. As of June 30, 2017, there were 25 depository-taking institutions operating a total of 57 banking offices located in the MMSA AA. Competition in the AA includes branches of large national banks, regional banks, and locally-owned institutions.

Economic conditions in the MMSA AA were good during the evaluation period. The AA offers job diversity across multiple industries, including health services, alternative energy, food processing, and advanced manufacturing. The AA economy relies on the agriculture industry including two large food processing employers. According to the Bureau of Labor Statistics (BLS), the unemployment rate in the MMSA AA improved from 5.4 percent as of August 2011 to 2.5 percent as of October 2017. This compares favorably to the national unemployment rate of 4.1 percent, respectively, as of October 2017. Major employers in the MMSA include the local school system, two hospital systems, and two agriculture production companies.

As part of this performance evaluation, we reviewed notes from a recent community listening session in the MMSA AA relevant to the examination. Representatives from eleven community organizations that provide affordable housing and other community services to low- and moderate-income individuals. The representatives identified home loans/affordable housing and small business/farm loans as the primary credit needs in the AA, and noted there are many opportunities for CD involvement in the MMSA.

State of South Dakota

Sioux Falls MSA AA

Demographic Information for Full-Scope Area: Sioux Falls MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	48	0	29	46	25	0
Population by Geography	196,752	0	28	47	25	0
Owner-Occupied Housing by Geography	49,637	0	21	50	29	0
Non-Farm Businesses by Geography	14,436	0	40	38	22	0
Farms by Geography	639	0	14	52	34	0
Family Distribution by Income Level	49,240	18	17	26	39	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	49,240	0	25	48	27	0
Median Family Income = \$69,242		Median Housing Value = \$151,960 Unemployment Rate = 2.6% as of October 2017				
FFIEC Updated Median Family Income for 2016 = \$72,000						
Households Below the Poverty Level = 6,627 or 9% of total households						

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 2010 U.S. Census, and 2016 FFIEC updated MFI.

The Sioux Falls MSA AA includes portions of the Sioux Falls MSA (#43620) in South Dakota. The AA includes portions of Minnehaha and Lincoln Counties. The AA complies with regulatory requirements and does not arbitrarily exclude any low- or moderate-income CTs. Management did not include the entire MSA because they cannot reasonably serve the entire area based on the current branch structure. The information above is limited to LNB's AA.

LNB operates three branches and three cash-dispensing ATMs in the Sioux Falls MSA AA. As of June 30, 2017, LNB reported \$113 million deposits in the Sioux Falls MSA AA. This represents 24 percent of LNB's total deposits. According to FDIC market share information as of June 30, 2017, LNB ranked 17th in deposit market share in the AA with a market of 0.01 percent.

Over the evaluation period, management originated 34 percent of the bank's originated loans by number and 33 percent by dollar in the Sioux Falls MSA AA. Management's primary lending product in the Sioux Falls MSA AA is commercial loans. However, LNB offers a full range of credit products in the AA including residential real estate and consumer loans.

Competition in the Sioux Falls MSA AA is strong. As of June 30, 2017, there were 36 deposit-taking institutions operating a total of 141 banking offices in the Sioux Falls MSA AA. Competition in the AA includes branches of large national banks, regional banks, and locally-owned institutions. Several other lenders, who are not included in the numbers above because they do not accept deposits, also have operations in the Sioux Falls MSA AA. Two large national banks control 98 percent of the MSA's deposit market share.

Economic conditions in the Sioux Falls MSA AA were strong during the evaluation period. According to the BLS, the unemployment rate in the Sioux Falls MSA AA improved from 2.9 percent as of August 2011 to 2.6 percent as of October 2017. This compares favorably to the State of South Dakota and national unemployment rates of 3.5 percent and 4.1 percent, respectively, as of October 2017. Major employers in the Sioux Falls MSA include two major hospital systems, a food processing company, and the local school system.

As part of this performance evaluation, we reviewed two community contacts in the Sioux Falls MSA AA completed in 2017. One contact was the Acting President of an organization that promotes economic development in the Sioux Falls MSA AA. The other contact leads an organization that promotes affordable housing programs in the Sioux Falls MSA AA. One contact noted the economy in the Sioux Falls MSA AA was extremely strong during the evaluation period. The City of Sioux Falls continues to see growth and set records for the most building permits issued during each year of the evaluation period. One contact stated the business banking needs are being met in the Sioux Falls MSA AA and noted local banks are very willing to accommodate businesses and their borrowing needs. One of the contacts identified affordable housing as a primary credit need in the MSA and said the financial institutions are supportive of affordable housing programs, but more participation would be welcomed.

State of Iowa

Iowa Non-MSA AA

Demographic Information for Full-Scope Area: Iowa Non-MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	5	0	0	100	0	0
Population by Geography	16,667	0	0	100	0	0
Owner-Occupied Housing by Geography	6,348	0	0	100	0	0
Non-Farm Businesses by Geography	1,714	0	0	100	0	0
Farms by Geography	211	0	0	100	0	0
Family Distribution by Income Level	5,153	15	16	27	42	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	5,153	0	0	100	0	0
Median Family Income = \$60,242		Median Housing Value = \$183,016 Unemployment Rate = 2.4% as of October 2017				
FFIEC Updated Median Family Income for 2016 = \$63,300						
Households Below the Poverty Level = 716 or 9% of total households						

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 2010 U.S. Census, and 2016 FFIEC updated MFI.

The Non-MSA AA includes all of Dickinson County in rural Iowa. The Non-MSA AA includes LNB operates one branch and one cash-dispensing ATM in the Non-MSA AA. The AA complies with regulatory requirements and does not arbitrarily exclude any LMI CTs.

LNB operates one branch and one cash-dispensing ATMs in the AA, located in Okoboji, Iowa. As of June 30, 2017, LNB reported \$17 million of deposits in the Non-MSA AA. This represents 6 percent of LNB's total deposits as of that date. According to FDIC market share information as of June 30, 2017, LNB ranked 8th in deposit market share in the AA with a market share of 2 percent.

Over the evaluation period, management 11 percent of the banks originated loans by number and eight percent by dollar during the evaluation period. Management's primary lending products in the Non-MSA AA are agriculture and commercial loans. However, LNB offers a full range of credit products in the AA including residential real estate and consumer loans.

Competition in the Non-MSA AA is moderate. As of June 30, 2017, there were eight deposit-taking institutions operating a total of 14 banking offices in the Non-MSA AA. Competition includes locally-owned institutions.

Economic conditions in the Non-MSA AA were good during the evaluation period. The economy is primarily based on tourism related to the three lakes in the county and agriculture in the surrounding rural areas. Manufacturing is also a major industry. According to the BLS, the unemployment rate in Dickinson improved from 5.0 percent as of August 2011 to 2.4 percent as of October 2017. This compares favorably to the State of Iowa and national unemployment rates of 3.0 percent and 4.1 percent, respectively, as of October 2017.

As part of this performance evaluation, we completed one community contact in the Non-MSA AA. The contact serves as the President and CEO of an organization that promotes economic development in the Iowa Lakes Corridor, including the rural counties of Dickinson, Clay, Buena Vista, and Emmett in northern Iowa. The interviewer said Dickinson County has a strong economy and is one of the wealthiest rural counties in the state. The interviewee stated the area is well-banked with locally engaged banks who offer a wide range of products and services and seem to strongly meet the agriculture and business credit needs of the community. An area of opportunity is affordable housing and first-time home buyer assistance, especially needed in the Milford, IA area.

Des Moines MSA AA

Demographic Information for Full-Scope Area: Des Moines MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	111	7	25	40	27	1
Population by Geography	493,679	5	22	40	33	0
Owner-Occupied Housing by Geography	137,281	3	19	42	36	0
Non-Farm Businesses by Geography	38,096	12	16	37	35	0
Farms by Geography	1,338	3	8	52	37	0
Family Distribution by Income Level	124,606	19	17	23	41	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	124,606	4	21	40	35	0
Median Family Income = \$76,250		Median Housing Value = \$158,912 Unemployment Rate = 2.3% as of October 2017				
FFIEC Updated Median Family Income for 2016 = \$76,900						
Households Below the Poverty Level = 17,638 or 9% of total households						

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 2010 U.S. Census, and 2016 FFIEC updated MFI.

The Des Moines MSA AA includes portions of the Des Moines MSA (#19780) in Iowa. The AA includes all of Polk County and portions of Dallas and Warren Counties. The AA complies with regulatory requirements and does not arbitrarily exclude any low- or moderate-income CTs. Management did not include the entire MSA because they cannot reasonably serve the entire area based on the current branch structure. The information above is limited to LNB's AA.

LNB operates one branch and one cash-dispensing ATM in the Des Moines MSA AA. As of June 30, 2017, LNB reported \$13 million of deposits in the Des Moines MSA AA. This represents 4 percent of LNB's total deposits as of that date. According to FDIC market share information as of June 30, 2017, LNB ranked 38th in deposit market share in the AA with a market share of 0.08 percent.

Over the evaluation period, eight percent of the banks originated loans by number and 12 percent by dollar during the evaluation period. Management's primary lending product in the Des Moines MSA AA is commercial loans. However, LNB offers a full range of credit products in the AA including residential real estate and consumer loans.

Competition in the Des Moines MSA AA is strong. As of June 30, 2017, there were 42 deposit-taking institutions operating a total of 201 banking offices in the Des Moines MSA AA. Competition in the AA includes branches of large national banks, regional banks, and locally-owned institutions.

Economic conditions in the Des Moines MSA AA were good during the evaluation period. The AA offers good job diversity across multiple industries. Major industries include financial services, insurance, government, manufacturing, trade, and service. According to the BLS, the unemployment rate in the Des Moines MSA improved from 5.3 percent as of August 2011 to 2.3 percent as of October 2017. This compares favorably to the State of Iowa and national unemployment rates of 3.0 percent and 4.1 percent, respectively, as of October 2017. Major employers include government and school employers, a large national financial institution, two healthcare systems, a regional retail grocery and drugstore chain, two financial service providers, and four agriculture related processing and equipment businesses.

As part of this performance evaluation, we reviewed one recent community contact in the Des Moines MSA AA. The contact serves as an Organizer of a local civil and other consumer rights organization serving the Des Moines MSA. The interviewee stated the economic conditions of Des Moines are improving for some, but not for everyone. Some neighborhoods are suffering from years of disinvestment and are in need for affordable banking services. There is also a need for small loans to small businesses and consumers.