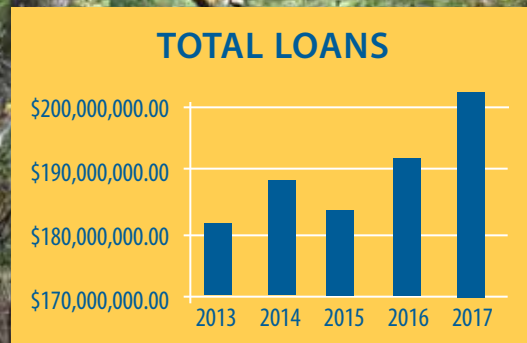
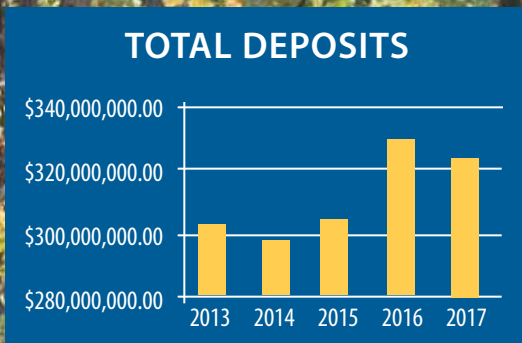


Clinton National Bank's ANNUAL REPORT 2017





Keeping our customers' money
safe, sound and secure
is always one of our core values
at Clinton National Bank

YEAR IN REVIEW



Alvin J. Goerd
Chairman of the Board



Robert P. Holleran
Vice Chairman of the Board



Steven E. Thacker
Co-President



Jennifer L. Boysen
Co-President

Since we opened our doors for business in 1865, Clinton National Bank has been operated by an outstanding team of bankers. 2017 was a milestone year for the bank in this regard as Robert Holleran, CEO for the past 40 years, announced in July that he would be stepping down as Chief Executive Officer at the bank. He continues to be involved in the bank as the Vice Chairman of our Board of Directors. Leading the Clinton National Bank team now are Steve Thacker and Jenny Boysen. Steve has been the President of the bank for the past 10 years. He oversees all lending matters, marketing, personnel and trust services. Jenny Boysen was promoted to Co-President of the bank. Her areas of responsibility include all operations of the bank, including our nine bank locations along with trust operations.

This past year, we made strong progress in achieving one of our goals within our Strategic Plan, growing our loan portfolio. Our Agricultural Loans grew substantially, climbing to \$59,306,000, reflecting a 21% increase over the previous year. Our Commercial Loan portfolio also grew, increasing by \$2,864,000, a 2.7% growth over 2016. A review of our overall financial performance in 2017 shows our total loan portfolio grew to \$203,041,000, our deposits totaled \$325,192,000 and our asset size was \$392,497,000.

Keeping our customers' money safe, sound and secure is always one of our core values at Clinton National Bank. Throughout 2017, we continue to educate our employees and our customers on the most effective ways to reduce the chance of security breaches from a variety of sources. As fraud losses escalated world-wide, we invested heavily in fraud protection tools to help safeguard our customers' finances.

2018 brings a renewed commitment on our part, to build the relationships we have with our customers, always putting their financial goals as our top priority. Our team knows that banking is not simply providing products and services but rather being financial partners in our customer's success.

COMMERCIAL AND AGRICULTURE

Throughout the year, we continued our ongoing commitment to local area businesses and farmers by providing tailored financial products and services and competitively priced loans. These were all delivered by professionals with an emphasis on personal service, ensuring we are meeting the individual needs of each customer we serve. As a result of these efforts, we expanded our Commercial and Agricultural loans by over \$13.5 million in 2017.

On the Agriculture side, expenses for farmers continued to be at levels that made it difficult for them to show a profit. However, strong yields enhanced their total revenue. At the end of 2017, our Agricultural loans grew by over 21.8% over the previous year. Managing expenses and improving growth opportunities will continue to be challenging for all of our farm customers.

Commercially, our business customers have benefited by a more stable, improving economy. Our Commercial loans also grew by 2.7% over the previous year. The outlook for 2018 continues to be moderately positive, with the overall economy improving slightly.

Clinton National Bank is focused on growing our commercial loan and farm loan customer base and the relationships we have with these valuable customers. We are staffed to provide quality and personalized service, by experienced loan professionals, who provide creative solutions to meet each customer's financial needs.

AGRICULTURE +21.8%

COMMERCIAL +2.7%

Expanded
Commercial and Agricultural loans
by over **\$13.5 million**

TRUST

As the premier, locally managed bank, Clinton National Bank's Trust Department specializes in providing wealth management, investment services, retirement and estate planning. These services are provided by experienced trust professionals who are backed by strong, innovative technology.

The staff's longevity at Clinton National Bank is unmatched by other trust departments in our area. Because of their collective experience, the department is recognized as the leading experts in trust matters. The result of their efforts this past year is an 11.5% increase in assets under management which totaled almost \$330 million. Because of this growth, an additional staff member was added to the department. This will help ensure we are providing timely service to our clients, both today and in the future.

With tax code changes, the current economic environment, along with ongoing technological advancements, expert advice and personalized attention will be increasingly valuable. Understandably, people want expert help in managing their finances. Our Trust team has the talents and knowledge customers are seeking today.

**11.5% increase in assets
under management
which totaled almost \$330 million**



**11.5%
Increase
in assets**



**Real Estate loan portfolio
totaled \$25,544,000**

**Prime Time
Club**

**Millennial
Market**

**Thumbuddy
Club**

**Provided service which exceeded
our customers' expectations**

REAL ESTATE

The Real Estate Department strives to make the process of buying a new home easy and affordable. One tool which helps us accomplish this is a Federal Home Loan Bank Grant. In 2017, we helped many first time home buyers with this grant, which provided money toward their down payment. We also offered a First Time Home Buyers Seminar. It covered valuable information to those wanting to understand the home buying process. Following this seminar, we were pleased to provide financing to many who bought their first home.

Along with assisting customers, developing the relationships we have with area realtors is crucial. This year we hosted a reception for professionals involved in home buying and selling. These events help our lenders learn the current needs of realtors, along with giving us the chance to showcase our staff and our services.

A change occurred in 2017, as we began servicing Federal Home Loan Bank loans within our real estate department again. This has been well received by customers and realtors. It is a strategy which should help us gain market share in this area and increase our real estate loans. At the close of 2017, our Real Estate loan portfolio totaled \$25,544,000. In addition, loans we sold on the secondary market but continue to service in our department totaled \$26,009,000.

In keeping with our goal of offering customers the most innovative products and services, we began to develop an online mortgage application and approval system called Mortgagebott. This technological advancement will let interested borrowers fill out an application in the comfort of their own home. They can then quickly learn if they have been approved for the loan amount. Our goal is to offer this helpful and convenient online service to customers in the spring of 2018.

CUSTOMER SERVICE

In 2017, we continued to work diligently to provide service which exceeded our customers' expectations. We took steps to educate our customers on our latest forms of banking technology, ensuring that people were familiar with the many advantages our banking services provide. In the months ahead, we will be offering Apple Pay and the eCommerce App. Both are simple, easy and secure ways to pay for purchases in stores or on-line with Apple, Samsung and Android devices. The eCommerce app will also give users the ability to turn off or on their debit or credit cards using any device.

At Clinton National Bank, we serve customers of all ages. Throughout the decades, we have had a very active senior club, made up of thousands of mature customers, who travel to many destinations with the bank. On the other end of the age spectrum, we re-introduced our children's banking program, The Thumbuddy Club, with a new mascot and theme song. We showcased Thumbuddy in many area parades and events. We also began to offer trips and activities to the millennial market, along with ensuring we are offering the products and services they want. The goal in offering trips and activities to our customers is to develop our relationship with them.

During the year, work also began on designing a new bank website, which will be unveiled in early 2018. Our new website will feature easier navigation, photography throughout our area and will be accessible from a desktop computer or a mobile device.

Balance Sheet

Years Ended December 31, 2017 and 2016

	2017	2016
Assets		
Cash and due from banks	\$ 2,428,548	\$ 3,088,821
Interest-bearing deposits in financial institutions	11,774,799	9,860,884
Securities available for sale	163,534,907	178,907,164
Investment in Federal Home Loan Bank stock	480,200	449,800
Federal funds sold	0	4,565,000
Loans, net	201,020,256	189,948,798
Bank premises and equipment, net	4,978,637	5,134,770
Accrued interest receivable	2,086,812	2,034,583
Goodwill	3,495,410	3,513,910
Other assets	2,701,909	2,583,391
Total assets	\$ 392,501,478	\$ 400,087,121
Liabilities and Stockholders' Equity		
Liabilities		
Deposits:		
Noninterest-bearing	\$ 43,555,924	\$ 46,734,180
Interest-bearing	281,635,888	282,069,283
Total deposits	325,191,812	328,803,463
Federal Home Loan Bank Advances -Federal Funds Purchased	0	0
Securities sold under agreement to repurchase	14,176,279	18,975,890
Accrued interest	210,504	215,007
Other liabilities	1,482,714	1,414,536
Total liabilities	\$ 341,061,309	\$ 349,408,896
Stockholders' Equity:		
Common stock, par value \$100 per share; authorized 10,000 shares; issued 9,630 shares	\$ 963,000	\$ 963,000
Surplus	963,000	963,000
Retained earnings	50,149,425	48,658,853
Accumulated other comprehensive income	(635,256)	93,372
Total liabilities and stockholders' equity	51,440,169	50,678,225
	\$ 392,501,478	\$ 400,087,121

Income Statement

Years Ended December 31, 2017 and 2016

	2017	2016
Interest Income:		
Interest and fees on loans	\$ 8,365,500	\$ 7,898,765
Interest on investment securities:		
U.S. Treasury Notes	1,269,705	1,002,754
U.S. government sponsored agencies	1,208,329	1,214,783
States and political subdivisions	1,273,631	1,556,830
Mortgage-backed securities and related instruments	238,284	153,732
Other	39,363	33,835
Interest on federal funds sold	57,702	21,213
Interest-bearing deposits at financial institutions	180,112	79,405
Total interest income	12,632,626	11,961,317
Interest Expense:		
Interest on deposits	1,332,496	1,251,502
Interest on other borrowings	122	78
Total interest expense	1,332,618	1,251,580
Net interest income	11,300,008	10,709,737
Provision for possible loan losses	0	0
Net interest income after provision for possible loan losses	11,300,008	10,709,737
Other Income:		
Service charges and fees	1,286,393	1,104,127
Trust Department income	938,917	868,657
Other	2,097	16,094
Total other income	2,227,407	1,988,878
Operating Expenses:		
Salaries and employee benefits	7,226,482	6,909,473
Occupancy expenses	740,658	716,840
Equipment expenses	517,107	506,206
Advertising and promotion	191,433	185,800
Office supplies and postage	170,057	173,452
Data processing	855,077	1,033,414
Other	1,593,529	1,514,826
Total Operating Expenses	11,294,343	11,040,011
Income before income taxes	2,233,072	1,658,604
Income tax expense	100,500	75,000
Net Income	\$ 2,132,572	\$ 1,583,604

BOARD OF DIRECTORS



Front row Left to Right:

ALVIN J. GOERDT, Chairman of the Board
JULIE BURKE SMITH, President W.J. Young & Co.
ROBERT P. HOLLERAN, Vice Chairman of the Board

Back Row Left to Right

STEVEN E. THACKER, Co-President
ROBERT P. CASSIDY, Parker Cassidy Supply Co.
JEFFREY B. STOUTNER, Attorney
THOMAS E. FULLERTON, Retired Clinton National Bank Executive Vice President
JENNIFER L. BOYSEN, Co-President
JAMES E. STACHOUR, Retired Clinton National Bank Executive Vice President

OFFICERS

ALVIN J. GOERDT

CHAIRMAN OF THE BOARD

ROBERT P. HOLLERAN

VICE CHAIRMAN OF THE BOARD

STEVEN E. THACKER

CO-PRESIDENT

JENNIFER L. BOYSEN

CO-PRESIDENT

NORLAN L. HINKE

SVP & SENIOR LENDER

KATHLEEN A. KLAHN

SVP & REAL ESTATE LOAN MANAGER

CAROL A. PETERSON

SVP & TRUST OFFICER

DAVID J. HELSCHER

SVP & TRUST OFFICER

JASON S. WHEAT

SVP & COMMERCIAL LOAN OFFICER

RICCI S. AQUILANI

VP, OPERATIONS & COMPLIANCE OFFICER

DEBORAH A. FARRELL

VP & CAMANCHE OFFICE MANAGER

JOEL E. KACZINSKI

VP & ANDOVER OFFICE MANAGER

RITCH J. SKRIVSETH

VICE PRESIDENT

MARK W. MILDER

VICE PRESIDENT

TED W. SHEMWELL

VP & TRUST OFFICER

KATHY J. HAND

VP & LOAN OPERATIONS MANAGER

CHRISTINE C. SMITH

VP & OPERATIONS OFFICER

TONI J. MILNES

VP & CASHIER

LYNN E. CHAMBELL

ASSISTANT VICE PRESIDENT

HELENEA M. GRAVES

AVP & LINCOLNWAY OFFICE MANAGER

TRACY L. REYNOLDS

AVP & CUSTOMER SERVICE MANAGER

LAREE D. MANGLER

AVP MARKETING & BUSINESS DEVELOPMENT

DONNA M. SIMMONS

AVP & PRESTON OFFICE MANAGER

RICHARD W. KLAHN

AVP & INSTALLMENT LOAN MANAGER

SARA B. MISIEWICZ

AVP REAL ESTATE LENDER

KAREN J. MARSHALL

HUMAN RESOURCES & TRAINING OFFICER

BERNARD J. HOLTkamp

LOAN OFFICER

LENNY L. WEIH

BUSINESS DEVELOPMENT OFFICER

KIMBERLY D. GREGORY

HEAD TELLER & VAULT MANAGER

VERNA R. MITCHELL

SABULA OFFICE MANAGER & OPERATIONS ASSISTANT

KEVIN B. ROSS

INFORMATION TECHNOLOGY OFFICER

CATHIE A. JEBSEN

DELMAR OFFICE MANAGER

LISA K. SNYDER

REAL ESTATE LOAN ADMINISTRATION OFFICER

DIANNE L. PAPKE

MILES OFFICE MANAGER

TARA L. BELLICH

TRUST OFFICER

KRISTI D. MCCUNE

TRUST OPERATIONS OFFICER

GAIL L. CLEMENTS

LOAN OFFICER & ASSISTANT CAMANCHE OFFICE MANAGER

MINDY S. BURGGRAAF

LOAN OFFICER & LYONS OFFICE MANAGER

JARED M. VOSS

LOAN OFFICER

Andover

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Andover, IA 52701
(563) 682-7121

Camanche

817 9th Avenue
Camanche, IA 52730
(563) 259-8371

Clinton-Main

235 6th Avenue South
Clinton, IA 52732
(563) 243-1243

Clinton-Lincolnway

2350 Lincolnway
Clinton, IA 52732
(563) 244-4105

Clinton-Lyons

1912 North 2nd Street
Clinton, IA 52732
(563) 244-4116

Delmar

301 Western Avenue
Delmar, IA 52037
(563) 674-4338

Miles

329 Ferry Road
Miles, IA 52064
(563) 682-7777

Preston

1 West White Street
Preston, IA 52069
(563) 689-5291

Sabula

404 Sycamore Street
Sabula, IA 52070
(563) 687-2551

