



## **PUBLIC DISCLOSURE**

April 21, 2014

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First National Bank in New Bremen  
Charter Number 14294

435 South Washington Street  
New Bremen, OH 45869

Office of the Comptroller of the Currency

Westlake Center  
4555 Lake Forest Drive, Suite 520  
Cincinnati, OH 45242-3760

**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.

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

This rating is primarily based on the following:

- The First National Bank in New Bremen's (FNB's or the bank's) loan-to-deposit (LTD) ratio is reasonable.
- FNB makes a substantial majority of their loans inside their assessment area (AA).
- Lending to borrowers of different income levels and to businesses and farms of different sizes reflects reasonable penetration.
- FNB's performance in lending to geographies of different income levels exhibits reasonable dispersion.

**SCOPE OF EXAMINATION**

We conducted a full scope Community Reinvestment Act (CRA) evaluation to assess your bank's record of meeting the credit needs of its community, including low- and moderate-income areas. We used the small bank CRA evaluation procedures and considered loan information from January 1, 2012 through December 31, 2013, to perform our review (lending evaluation period).

The bank's performance in residential real estate, business (i.e., commercial and commercial real estate), and farm lending is considered foremost in this CRA evaluation, as these are the bank's primary lending products. To perform our analysis of lending inside the bank's AA, we randomly sampled 20 residential real estate, 20 business loans, and 20 farm loans originated during the lending evaluation period. Additional loans located in the AA were then selected as necessary to ensure at least 20 loans of each sampled loan type were used for the borrower and geographic distribution analysis. We used the 2010 U.S. Census data to analyze performance. The LTD ratio was reviewed using the June 30, 2009 through December 31, 2013, a 19 quarter-end average.

**DESCRIPTION OF INSTITUTION**

FNB is an independently owned community bank, with total assets of \$258 million as of December 31, 2013. The main office is located in New Bremen, Ohio in an upper-income census tract (CT) in Auglaize County, approximately 90 miles northwest of Columbus, Ohio. In addition, FNB has four full-service branch offices. The branches are located in New Knoxville, Wapakoneta, Botkins, and Sidney, Ohio. The first two listed branches are in Auglaize County, Ohio, and the latter two branch offices are in Shelby County, Ohio. Each office has a drive-thru facility and a 24-hour automated teller machine (ATM). Four offices are located in middle- and upper-income CTs, with one branch located in a moderate-income CT (Sidney Branch).

American Budget Company (ABC), a wholly owned finance company subsidiary of FNB, was purchased by the bank in 1987. This operation has eight office locations in West Central Ohio. The ABC offices are located in Versailles, Coldwater, Lima, Sidney, St. Marys, Wapakoneta, Kenton, and New Bremen. The finance company’s purpose is to provide consumer loans to individuals in the community, including real estate loans. ABC also wholly owns a subsidiary, New Bremen Life Insurance Company, which is based in Arizona and functions as a re-insurer of credit life, accident, and health insurance offered by both ABC and FNB.

FNB offers a wide variety of deposit and lending products. The bank’s primary business focus includes residential real estate, business (commercial/commercial real estate), and farm lending. As of December 31, 2013, the bank’s loan portfolio totaled \$113 million, with net loans representing 44 percent of total assets.

<b>Table 1 – Loan Mix</b>		
Loan Type	% by Number of Loans Originated/Purchased during evaluation period	% by Dollars of Loans Originated/Purchased during evaluation period*
<b>Home Loans</b>	<b>24%</b>	<b>10%</b>
<b>Business Loans</b>	<b>29%</b>	<b>41%</b>
<b>Farm Loans</b>	<b>22%</b>	<b>25%</b>
Construction Loans	2%	19%
Consumer Loans	19%	3%
Home Equity Lines of Credit	4%	2%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>

*Source: Bank’s record of loans originated during 2012 and 2013 (internally prepared report).*

*Note: Bold indicates primary products during the evaluation period.*

*\*The percentage by dollars of loans originated/purchased during the evaluation period is based on the current balance as of the examination date, as the internal report did not include the total loan origination amount.*

Presently, there are no financial or legal impediments that affect FNB’s ability to help meet the credit needs of its AA. The bank’s last CRA evaluation was conducted as of April 27, 2009, and resulted in a “Satisfactory” rating.

## **DESCRIPTION OF ASSESSMENT AREA**

The bank’s AA includes all of Auglaize and Shelby Counties and CTs 9678 and 9679 in Mercer County. The CTs in the AA are contiguous and surround the area where the bank has an office location. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

The AA includes 23 census tracts, comprised of one moderate-income (4.34 percent), 11 middle-income (47.83 percent), and 11 upper-income (47.83 percent) CTs. Per the 2010 U.S. Census data, the population of the AA is 104,148, with 5.41 percent living in moderate-income CTs, 48.86 percent living in middle-income CTs, and 45.73 percent living in upper-income CTs. Seventy-one percent of the housing units in the AA are owner occupied. Of the housing units, 3.85 percent of the owner occupied units are located in moderate-income geographies, 47.65 percent are located in middle-income

geographies, and 48.50 percent are located in upper-income geographies. Almost nine percent of the households in the AA live below the poverty level, 29 percent receive social security benefits, and two percent receive public assistance. The median housing value is \$127,841; the average median age of housing is 47 years. The weighted average monthly gross rent is \$651.

According to the 2010 U.S. Census Data, the Non-MSA State of Ohio median family income is \$52,111. The HUD (Department of Housing and Urban Development) estimate of the Non-MSA State of Ohio median family income was \$53,000 for 2013 and \$53,600 for 2012. Approximately 13.23 percent of the families in the AA are low-income and 16.17 percent are moderate-income, with the remainder middle- and upper-income.

According to the Ohio Labor Market Information as of February 2014, the “not seasonally adjusted” unemployment rates for the State of Ohio and nationally were 7.0 percent. The “not seasonally adjusted” unemployment rate for Auglaize County was 4.7 percent, 5.8 percent for Shelby County, and 4.3 percent for Mercer County. All are lower than both the state and national levels.

The local economy has been improving. The AA has a diverse mix of companies across many industries with a significant presence of manufacturing companies and retail trade services. The major employers in Auglaize County include Crown Equipment Corporation, The Dannon Company, Veyance Technologies, Inc., AAP St. Mary’s Corporation (a division of Hitachi Metals), Joint Township District Memorial Hospital, Niedec Minster Machine, Setex, Inc., and the local school systems. The major employers in Shelby County include Emerson Climate Technologies, Honda Motor Company Ltd., Nippon Konpo Unyu Co. Ltd., Plastipak Packaging, Sidney City Schools, Superior Metal Products, Wal-Mart Stores, Inc., and Wilson Memorial Hospital. The major employers in Mercer County include the local school systems, Cooper Farms, Inc., Crown Equipment Corporation, Fort Recovery Industries, Inc., Mercer Health, and Pax Machine Works.

Competition in the AA is strong with many national banks, savings and loan associations, branches of larger financial institutions, and credit unions. As of June 30, 2013, FNB had approximately a 13.52 percent deposit market share in Auglaize and Shelby Counties and was ranked fourth out of 14 financial institutions, behind two large institutions. The source of the deposit market share information is the June 30, 2013 Deposit Market Share Report from the Federal Deposit Insurance Corporation (FDIC).

Community contacts indicate the AA’s economy is improving and doing fairly well. The credit needs of the AA include small business and residential real estate lending. According to the contacts, local financial institutions are meeting those needs.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the AA credit needs. It meets the requirements for satisfactory performance. FNB has a quarterly average LTD ratio over 19 quarters since the prior CRA evaluation of 51.70 percent. FNB's LTD ratio at December 31, 2013, was 50.23 percent. The bank's quarterly LTD ratio ranged from a low of 48.78 percent as of September 30, 2012, to a high of 59.13 percent at June 30, 2009. The quarterly average LTD ratio for similarly-situated financial institutions located within the same area was approximately 71 percent for the same time period. However, one financial institution was an outlier with an average LTD ratio of 95 percent; without this institution, the average LTD ratio was 65 percent for similarly-situated financial institutions.

### Lending in Assessment Area

A substantial majority of FNB's lending activity occurs inside the bank's AA. Our analysis included residential real estate loans (home purchase, refinancing and home improvement), business loans (commercial/commercial real estate), and farm loans. Table 2 below details FNB's lending activity during the evaluation period by number and dollar volume of loans originated.

Loan Type	Number of Loans				Total	Dollars of Loans (in thousands)				
	Inside		Outside			Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Real Estate	19	95%	1	5%	20	\$2,487	94%	\$160	6%	\$2,647
Business	19	95%	1	5%	20	\$1,916	71%	\$800	29%	\$2,716
Farm	20	100%	0	0%	20	\$2,551	100%	\$0	0%	\$2,551
Totals	58	97%	2	3%	60	\$6,954	88%	\$960	12%	\$7,914

*Source: Residential, Business and Farm loans derived from loan samples (loans originated in 2012 and 2013).*

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

FNB's lending to borrowers of different income levels and to businesses and farms of different sizes is reasonable and reflects satisfactory performance.

The bank's distribution of residential real estate loans in the AA reflects reasonable penetration among borrowers of different income levels during the evaluation period. While our sample did not include any loan originations to low-income borrowers, the

level of home lending to moderate-income borrowers exceeded the AA demographic (25.00 percent versus 16.17 percent, respectively). A factor that may contribute to the lower penetration of home loans to low-income borrowers is that 8.79 percent of households in the AA live below the poverty level and may experience difficulty meeting traditional credit underwriting standards to qualify for home loans. Table 3 below reflects the bank’s distribution of home loans by borrower income level and compares this distribution to the AA’s specific family income composition.

<b>Table 3 - Borrower Distribution of Residential Real Estate Loans in the AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential Real Estate Loans	13.23%	0.00%	16.17%	25.00%	22.73%	35.00%	47.87%	40.00%

Source: Residential real estate loan sample (20 loans); 2010 U.S. Census data, updated as of 2013.

Based on the business loan sample, FNB’s penetration of loans to small businesses is reasonable and meets the standard for satisfactory performance. The bank originated 60 percent (by number) of their business loans to businesses with annual gross revenues of less than \$1 million, which is slightly below the demographic comparator of 72 percent of businesses in the AA of similar size. Table 4 below lists the percentages by number and dollar volume of loans made to businesses of different sizes.

<b>Table 4 - Borrower Distribution of Loans to Businesses in the AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	72.14%	5.01%	22.85%	100%
% of Bank Loans in AA by #	60.00%	40.00%	0.00%	100%
% of Bank Loans in AA by \$	34.00%	66.00%	0.00%	100%

Source: Business loan sample (20 loans); 2013 Business Geodemographic data.

Farm loan originations during the evaluation period are reasonable and meet the standard for satisfactory performance. A majority (85 percent) of loan originations were to farms with revenues less than \$1 million, which is slightly below the demographic comparator of 99 percent of farms in the AA of similar size. Table 5 below lists the percentages by number and dollar volume of loans made to farms of different sizes.

<b>Table 5 - Borrower Distribution of Loans to Farms in the AA</b>				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Farms	99.42%	0.25%	0.33%	100%
% of Bank Loans in AA by #	85.00%	15.00%	0.00%	100%
% of Bank Loans in AA by \$	56.00%	44.00%	0.00%	100%

Source: Farm loan sample (20 loans); 2013 Business/Farm Geodemographic data.

### Geographic Distribution of Loans

FNB’s geographic distribution of loans reflects reasonable dispersion to the moderate-income CT within the AA. The analysis reflected lending in most tracts. Of the 23 CTs in the AA, there are no low-income and only one moderate-income CT (four percent).

Geographic distribution of residential real estate loans is reasonable. Our residential real estate loan sample did not include any loan originations in the moderate-income CT. However, this is reasonable given that the moderate-income CT represents only 3.85 percent of owner-occupied housing in the AA. In addition, per discussion with management, this CT is predominately commercial and industrial, with a large concentration of residential rental properties. Table 6 below lists the percentage of residential real estate loans originated in each CT.

<b>Table 6 - Geographic Distribution of Residential Real Estate Loans for AA</b>						
Census Tract Income Level	Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Residential Real Estate Loans	3.85%	0.00%	47.65%	25.00%	48.50%	75.00%

Source: Residential real estate loan sample (20 loans); 2010 U.S. Census data, updated as of 2013.

The geographic distribution of loans to businesses in the AA reflects excellent dispersion. The bank’s percentage of loans to businesses in the moderate-income CT is reasonable at 10 percent of our sample and exceeds the AA demographic of 4.61 percent. Table 7 below lists the percentage of loans originated in each CT.

<b>Table 7 - Geographic Distribution of Loans to Businesses for AA</b>						
Census Tract Income Level	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
Business Loans	4.61%	10.00%	53.49%	40.00%	41.90%	50.00%

Source: Business loan sample (20 loans); 2013 Business Geodemographic data.

Our sample of farm loans did not include any loan originations in the one moderate-income CT in the bank’s AA. However, this is reasonable given the moderate-income CT represents only 0.58 percent of farms in the AA. This AA is not a farming area and is located within the city of Sidney, Ohio. Table 8 on the next page lists the percentage of loans originated in each CT income level.

<b>Table 8 - Geographic Distribution of Loans to Farms for AA</b>						
Census Tract Income Level	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
Farm Loans	0.58%	0.00%	36.27%	20.00%	63.15%	80.00%

Source: Farm loan sample (20 loans); 2013 Business/Farm Geodemographic data.

## **Responses to Complaints**

FNB has not received any complaints about its performance in helping to meet the AA credit needs during the evaluation period.

## **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. 25.28(c), in determining a national bank's 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.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.