



## **PUBLIC DISCLOSURE**

June 4, 2018

### **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, and should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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## **Overall CRA Rating: Satisfactory**

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

- A substantial majority of First National Bank in New Bremen's (FNB or the bank) lending activity occurs within its assessment area.
- The net loan-to-deposit ratio is reasonable.
- Lending to businesses of different sizes reflects reasonable penetration.
- The geographic distribution of loans within the assessment area reflects reasonable dispersion.

## 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/assessment area.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts 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. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

**Community Reinvestment Act (CRA):** The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor

vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every 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 (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a 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:** 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 Metropolitan Statistical Area 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 median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

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

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

# Description of Institution

FNB is an independently-owned community bank, with total assets of \$274 million as of March 31, 2018. 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 all located in Ohio in New Knoxville, Wapakoneta, Botkins, and Sidney. 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). All five offices are located in middle- and upper-income CTs.

FNB’s assessment area (AA) includes all CTs in Auglaize County and Shelby County, and two CTs in Mercer County. The AA is not part of a Metropolitan Statistical Area. The bank’s identified AA complies with requirements of the regulation. The AA has strong economic fundamentals based on unemployment figures, which are below the average for the State of Ohio. Refer to “**Appendix B: Community Profiles for Full-Scope Areas**” for more information on the AA.

FNB offers a wide variety of deposit and lending products. The bank’s lending activity is concentrated in commercial purpose loans; however, it also offers residential, farm, and consumer purpose products. As of March 31, 2018, the bank’s loan portfolio totaled \$126 million, with net loans representing 46 percent of total assets.

Table 1 – Loan Mix		
Loan Type	% by Number of Loans Originated/Purchased during evaluation period	% by Dollars of Loans Originated/Purchased during evaluation period*
<b>Business Loans</b>	<b>42%</b>	<b>63%</b>
Residential Loans	23%	18%
Farm Loans	20%	17%
Consumer Loans	15%	2%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>

Source: Bank’s record of loans originated during 2015, 2016, 2017, and through 4/24/2018 (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 the maximum credit availability of the loan at the time of origination.

American Budget Company (ABC), a mortgage loan origination company, was formerly a subsidiary of FNB, but was sold in December 2016.

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, 2017, FNB had approximately a 13.4 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, 2017, Deposit Market Share Report from the Federal Deposit Insurance Corporation (FDIC).

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 Performance Evaluation was conducted as of April 21, 2014, and resulted in a "Satisfactory" rating.

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

We conducted a full-scope CRA evaluation covering the bank's record of meeting the credit needs of its entire community. We used small bank CRA evaluation procedures to assess the bank's performance. The Lending Test includes loans originated or purchased from January 1, 2015, to December 31, 2017 (lending evaluation period). Business loans are the primary loan product. Data from the 2010 U.S. Census was used for comparison purposes for loans made during 2015 and 2016. Data from the 2015 American Community Survey (ACS) U.S. Census was used for comparison purposes for loans originated or purchased in 2017. We used data from Dun and Bradstreet Incorporated for 2015, 2016, and 2017 to assess the bank's lending to businesses of different sizes.

### **Data Integrity**

This activity did not include a review of data integrity. The bank is not required to, and does not, report its mortgage application and origination information under the Home Mortgage Disclosure Act (HMDA). Additionally, the bank does not report its small business lending activity for CRA purposes.

### **Selection of Areas for Full-Scope Review**

FNB has identified all CTs in Auglaize County (Ohio) and Shelby County (Ohio), and two CTs in Mercer County (Ohio) as its AA. We completed a full scope review of lending performance in this assessment area. See Appendix B, "**Community Profiles for Full-Scope Areas**", of this report for more information about the AA.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution [or any affiliate whose loans have been considered as part of the institution's lending performance] has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by, or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

# Conclusions with Respect to Performance Tests

## LENDING TEST

The bank’s lending performance is satisfactory.

### Loan-to-Deposit Ratio

FNB’s loan-to-deposit (LTD) ratio is reasonable given the bank’s size, financial condition, and AA credit needs. FNB’s quarterly net LTD ratio averaged 50.6 percent over 17 quarters from March 31, 2014 to March 31, 2018, with a quarterly low of 48.2 percent and a quarterly high of 52.2 percent. FNB’s LTD ratio is comparable to other community banks and thrifts of similar size and locations, although FNB ranks lowest compared to five other similarly situated banks and thrifts serving the AA. The other five had an average LTD ratio of 71.0 percent, ranging from 55.0 percent to 86.5 percent. Several factors contribute to the bank’s lower than peer net LTD ratio. FNB has a conservative lending philosophy and there is heavy competition for high credit quality borrowers in the local market. The volume of mortgage banking activity also mitigates FNB’s lower-than-peer LTD ratio. The bank originates a moderate volume of mortgages that are not retained on its balance sheet and therefore, are not reflected in the LTD ratio.

### Lending in Assessment Area

FNB originated a substantial majority of business loans within its AA during the review period. During the lending evaluation period, the bank originated 82.5 percent of business loans within its assessment area. Refer to Table 1 for more information on the bank’s performance under this portion of the Lending Test.

Loan Type	Number of Loans				Total	Dollars of Loans				Total
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Commercial	33	82.50	7	17.50	40	6,385	68.22	2,975	31.78	9,360
Totals	33	82.50	7	17.50	40	6,385	68.22	2,975	31.78	9,360

Source: Loan Sample

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

Lending to businesses of different sizes reflects reasonable penetration during the lending evaluation period. During the 2015-2016 period, the bank made 77.9 percent of loans to businesses with annual revenues less than \$1 million. This compares favorably to the composition of the AA. Based on Dun and Bradstreet data, 75 percent of AA businesses had revenue less than \$1 million during this period. During the 2017 period, the bank made 45 percent of loans to businesses with revenues less than \$1 million. This is below the AA composition of 77 percent, but is reasonable. See Table 2

and Table 3 for more information on the distribution of loans to businesses of different sizes.

<b>Table 2 - Borrower Distribution of Loans to Businesses in Assessment Area 2015-2016</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	77.91	6.57	15.52	100%
% of Bank Loans in AA by #	75	25	0	100%
% of Bank Loans in AA by \$	53.80	46.20	0	100%

Source: Loan Sample; Dunn and Bradstreet 2015-2016

<b>Table 2 - Borrower Distribution of Loans to Businesses in Assessment Area 2017</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	77.61	7.87	14.52	100%
% of Bank Loans in AA by #	45	55	0	100%
% of Bank Loans in AA by \$	22.72	77.28	0	100%

Source: Loan Sample; Dunn and Bradstreet 2017

## Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion within the AA. Based on 2010 U.S. Census data, which was used to evaluate loans made between 2015 and 2016, there were two moderate-income CTs in the AA and zero low-income CTs. The total number of total low- and moderate-income CTs was also two following the 2015 U.S. Census ACS; however, one previously middle-income tract became moderate-income, and one moderate-income tract became middle-income. Overall, there are limited opportunities to lend in moderate-income geographies with only 9.5 percent in the 2015 to 2016 period, and 11.6 percent in the 2017 period, of AA businesses located in one.

During the 2015 to 2016 lending evaluation period, 5 percent of AA loans were made to businesses within a moderate-income CT. This compares to approximately 9.6 percent of businesses located in one of these geographies. During the 2017 lending period, 5 percent of AA loans were made to businesses within a moderate-income CT. This is compared to 11.6 percent of AA businesses residing in a moderate-income CT. See Table 3 and Table 4 for more information on geographic distribution within the AA.

<b>Table 3 - Geographic Distribution of Loans to Businesses in Assessment Area 2015-2016</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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
Commercial	0	0	9.55	5	51.76	45	38.69	50

Source: Loan Sample; Dun and Bradstreet 2015-2016; U.S. Census Data

<b>Table 3 - Geographic Distribution of Loans to Businesses in Assessment Area 2017</b>								
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
Commercial	0	0	11.56	5	30.17	25	58.27	70

*Source: Loan Sample; Dun and Bradstreet 2017; U.S. Census Data*

### **Responses to Complaints**

FNB has not received any CRA related consumer complaints during the assessment period.

## Appendix A: Scope of Examination

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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”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD loans): (1/1/2015 to 12/31/2017) Investment and Service Tests and CD Loans: Not applicable	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
FNB New Bremen, New Bremen, OH	Business purpose loans	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
None		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
<b>The single non-MSA AA includes:</b> Auglaize County, Shelby County, and census tracts 9678 and 9679 in Mercer County	Full-Scope	

# Appendix B: Community Profiles for Full-Scope Areas

## Auglaize-Shelby Assessment Area (AA)

Demographic Information for Auglaize-Shelby AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	23	0	2	8	13	0
Population by Geography	103,605	0.00%	7.08%	31.28%	61.64%	0.00%
Owner-Occupied Housing by Geography	29,276	0.00%	4.49%	31.11%	64.40%	0.00%
Businesses by Geography	5,296	0.00%	11.56%	30.17%	58.27%	0.00%
Farms by Geography	751	0.00%	1.33%	15.85%	82.82%	0.00%
Family Distribution by Income Level	28,056	0.00%	6.46%	31.26%	62.29%	0.00%
Distribution of Low- and Moderate-Income Families throughout AA Geographies	8,367	0.00%	12.13%	38.13%	49.74%	0.00%
Median Family Income = \$67,403						
HUD Adjusted Median Family Income for 2018 – Auglaize County = \$70,800					Median Housing Value = \$132,256	
Households Below the Poverty Level = 9.15%					Average Unemployment Rate: Auglaize and Shelby Counties = 3.2%	

(\*) The NA category consists of geographies that have not been assigned an income classification. Source: 2015 ACS update to U.S. Census, and 2018 HUD updated MFI.

FNB’s AA includes Auglaize County, Shelby County, and two tracts in Mercer County. The AA includes 23 census tracts, comprised of two moderate-income, eight middle-income, and 13 upper-income CTs. Per the 2015 U.S. Census data, the population of the AA is 103,605, with 7 percent living in moderate-income CTs, 31 percent living in middle-income CTs, and 62 percent living in upper-income CTs. Sixty-seven percent of the housing units in the AA are owner occupied. Nine percent of the households in the AA live below the poverty level, 31 percent receive social security assistance, and two percent receive public assistance. The median housing value is \$132,256.

According to the 2015 U.S. Census Data, the Non-MSA State of Ohio median family income is \$56,217. The FFIEC (Federal Financial Institutions Examinations Council) estimate of the Non-MSA State of Ohio median family income was \$57,600 for 2017. Approximately 13.2 percent of the families in the AA are low-income and 16.6 percent are moderate-income, with the remainder middle- and upper-income.

According to the Ohio Labor Market Information as of March 2018, the not seasonally adjusted unemployment rates for the State of Ohio and nationally were 4.3 percent and 4.1 percent, respectively. The not seasonally adjusted unemployment rate for Auglaize

County was 2.8 percent, 3.5 percent for Shelby County, and 2.4 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 the AA include Crown Equipment Corporation, The Dannon Company, Honda Motor Company, Emerson Climate Technologies, Veyance Technologies, Inc., AAP St. Mary's Corporation (a division of Hitachi Metals), Niedec Minster Machine, and Setex, Inc. Other major employers include local governments and school systems and retailers.

Banking 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, 2017, FNB had approximately a 13.4 percent deposit market share in Auglaize and Shelby Counties and was ranked fourth out of fourteen financial institutions, behind two large institutions. The source of the deposit market share information is the June 30, 2017, Deposit Market Share Report from the Federal Deposit Insurance Corporation (FDIC).

We completed a community contact as part of this evaluation. The contact indicated that economic conditions are strong and continue to improve. The contact also stated that they believed local financial institutions were meeting the credit needs of the community.