



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

April 27, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank in New Bremen
Charter Number 14294

435 South Washington Street
New Bremen, Ohio 45869

Office of the Comptroller of the Currency

Central Ohio Field Office
325 Cramer Creek Ct., Suite 101
Dublin, Ohio 43017

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.

- The loan-to-deposit ratio is reasonable given the bank's size, community lending needs and significant competition by other financial institutions in the area.
- A majority of the loans originated during the evaluation period were in the assessment area.
- The distribution of loans to borrowers among different income levels and to businesses and farms of different sizes is reasonable.
- There were no CRA-related complaints filed against the bank since the last CRA examination.

SCOPE OF EXAMINATION

We performed a small bank CRA examination of the First National Bank in New Bremen using financial data as of December 31, 2008. The evaluation period for lending activity included loans originated between January 1, 2007 and April 24, 2009. The loan-to-deposit ratio was reviewed using both a current and 24-quarter average. Analysis of lending performance inside the identified assessment area, borrower income distribution and geographical distribution was based on loan origination data from a sample of 20 residential real estate, 20 commercial, and 20 agricultural loans.

Table 1 reflects the bank's lending products (by number and dollars) during the evaluation period. The bank has increased its commercial and agricultural lending activities. Both of these loan types, together with home loans, represent the bank's primary loan products during the evaluation period and are included in our analysis.

Table 1 - FNB's Lending Products During Evaluation Period		
Loan Type	% by Dollars of Loans Originated/Purchased during evaluation period	% by Number of Loans Originated/Purchased during evaluation period
Home Loans	29%	30%
Consumer Loans	4%	27%
Construction Loans	10%	4%
Business Loans	35%	21%
Farm Loans	22%	18%
Total	100%	100%

Source: Internally supplied bank reports – January 1, 2007 through April 24, 2009.

Note: Bold indicates primary loan product during the evaluation period.

DESCRIPTION OF INSTITUTION

The First National Bank in New Bremen (FNB) is an independently owned community bank. As of December 31, 2008, FNB reported total assets of \$188.8 million. The main office is located approximately 90 miles northwest of Columbus, Ohio in the village of New Bremen, Ohio which is in Auglaize County. FNB also has four full-service branch offices. The branches are each located in Botkins, Sidney, Wapakoneta and New Knoxville, Ohio. The first two listed branch offices are in Shelby County, Ohio and the latter two branch offices are in Auglaize County, Ohio. Each bank office location offers automated teller machines (ATM) which are available 24 hours a day, except for the ATM at Botkins office. The Botkins office's ATM is located inside the Botkins Party Mart and is only available when the store is open. FNB offers a wide variety of deposit and lending products and has a primary focus on lending to the communities it serves for agricultural, commercial and residential loan needs.

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 the 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.

No legal or financial impediments exist that could restrict the institution's ability to serve the community's credit needs. The bank's prior CRA rating was Satisfactory per the Performance Evaluation dated May 25, 2004.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area (AA) includes all of Auglaize and Shelby Counties and two geographies in Mercer County. None of these 22 geographies in the AA is within a metropolitan statistical area (MSA). The AA includes nine (41%) upper-income census tracts and thirteen (59%) middle-income census tracts, and zero low- or moderate- income census tracts. The AA meets regulatory requirements. The tracts in the AA are contiguous and surround the area where the bank has its locations. There are no conspicuous gaps, and the AA does not arbitrarily exclude any low- or moderate-income geographies.

As of the 2000 Census, the population of the AA is 103,138, the AA has 28,237 total families, and the AA median family income is \$51,502. The AA family total is made up of 11.41% low-income, 15.49% moderate-income, 24.96% middle-income and 48.14% upper-income families (see Table 2 on the following page). Of the AA's 40,411 housing units, approximately 72% are owner-occupied and have an average median cost of \$99,055. The Department of Housing and Urban Development's (HUD) estimate of the Ohio statewide non-MSA median family income is \$50,000 for 2007 and \$51,600 for 2008 and 2009.

The economic status of families and geographies is categorized as low-, moderate-, middle-, and upper-income groups using the following definitions. Low-income is defined as an individual income or a geography that is less than 50% of the Ohio statewide non-MSA updated median family income. Moderate-income means an individual income or a geography that is at least 50% and less than 80% of the Ohio statewide non-MSA updated median family income. Middle-income is defined as an individual income or a geography that is at least 80% and less than 120% of the Ohio statewide non-MSA updated median family income. Upper-income means an individual income or a geography that is 120% or more of the Ohio statewide non-MSA updated median family income.

Income Designation	Low-Income		Moderate-Income		Middle-Income		Upper Income	
	#	%	#	%	#	%	#	%
Families	3,223	11.41%	4,373	15.49%	7,049	24.96%	13,592	48.14%
Census Tracts	0	0%	0	0%	13	59%	9	41%

Source: 2000 Census Data

The economies of Auglaize, Shelby and Mercer Counties have been experiencing negative trends due to the current economic decline and increasing unemployment levels. All three counties in the AA have a significant presence of manufacturing companies and retail trade services. As of December 31, 2008, the unemployment rates for these counties were 6.8%, 8.1% and 5.8%, respectively. The State of Ohio's unemployment rate was 7.6% and the national unemployment rate was 7.1% as of December 31, 2008. These unemployment rates have increased significantly during the first three months of 2009. The State of Ohio rate of unemployment for March 2009 increased to 10.1%, and the national unemployment rate increased to 9.0%. The unemployment rates, as of March 31, 2009, for Auglaize, Shelby, and Mercer Counties rose to 11.6%, 13.2%, and 9.0%, respectively.

The major employers in Auglaize County are Crown Equipment Corporation, The Dannon Company, Veyance Technologies, Inc., AAP St. Mary's Corporation, a division of Hitachi Metals, joint Township District Memorial Hospital, Minster Machine, Setex, Inc., St. Mary's City Board of Education, and the Wapakoneta City Board of Education. The major employers in Shelby County are Emerson Climate Technologies, Griffon Corporation/Clopay Corporation, Honda Motor Company Ltd., Nippon Konpo Unyu Co. Ltd., Plastipak Packaging, Sidney City Board of Education, Superior Metal Products, Wal-Mart Stores, Inc., and Wilson Memorial Hospital. The Mercer County major employers are Celina Aluminum Precision Technology, Celina City Board of Education, Cooper Farms Inc., Crown Equipment Corporation, Fort Recovery Industries Inc., Mercer Health, Pax Machine Works, Renior Visions LLC, Workflow One and Reynolds & Reynolds Company.

Competition among banks in this market is strong. Eighteen FDIC-insured institutions compete for market share in this area, including large banks, regional banks, community banks and state banks. In addition to these banks, FNB competes with Farm Credit Services in Celina and

Versailles with regard to agricultural lending. FNB had 6.62% of the deposit market as of June 30, 2008.

A community contact interview indicated that the primary credit needs are being met by the banks with a presence in the area, including FNB. The individual also reported that the community has a generally positive view of its financial institutions and that no complaints have been received by his organization regarding discrimination against any protected classes during his tenure at the agency.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's lending performance is based on its residential real estate, commercial and agricultural loans which originated during the evaluation period beginning January 1, 2007 and ending April 24, 2009. These products are considered the bank's primary lending products based on the volume originated during this period. We selected a sample of 20 of each loan type in order to evaluate the level and trends with lending in each of the bank's primary areas of lending. The first level of analysis involved the use of these files to determine the level of lending within the AA. Any loans which were originated outside of the AA were then disregarded and additional loans within the AA were added to the samples to bring the total number of loans for each sample back up to 20 to then perform the Borrower Distribution analyses.

Loan-to-Deposit Ratio

The bank's loan-to-deposit (LTD) ratio is reasonable. FNB's LTD ratio of 64.11% as of December 31, 2008 and average LTD ratio over the last 24 quarters since the prior CRA examination (January 1, 2003 through December 31, 2008) of 69.03% are also reasonable. The bank's average quarterly LTD ratio ranged from a low of 61.14% at June 30, 2008, to a high of 74.23% at December 31, 2003. For analysis purposes, FNB's current and 24-quarter average LTD ratios were compared with a custom peer group consisting of banks also located in Auglaize, Shelby and Mercer Counties. The analysis shows that FNB's LTD ratios were reasonable compared with the peer group's average of 75.90% as of December 31, 2008. The custom peer group low LTD ratio was 64.35% and the high LTD ratio was 87.91%. Another factor which has placed downward pressure on this ratio is that the bank has been experiencing deposit growth. Between December 31, 2003 and December 31, 2008, the bank's deposits have grown by about 37% (from \$116,226,000 to \$154,925,000) while loans have grown by about 15% (from \$86,772,000 to \$99,318,000).

Lending in Assessment Area

The bank's lending performance within the AA meets the standard for satisfactory performance. Based on a review of internal bank reports, FNB's primary loan types consist of residential real estate, commercial loans and agricultural loans; we sampled 20 loans from each loan type. Table 3 reflects the bank's lending within the AA by number and dollar volume. We found that a majority of the loans included in our sample were originated inside the bank's AA. By number,

87% of the bank’s loans originated during the evaluation period were inside its AA, and by dollar volume, 65% of the loans originated during this period were inside its AA.

Table 3 - Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (in 000’s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Real Estate Loans	17	85%	3	15%	20	\$2,050	67%	\$1,010	33%	\$3,060
Commercial Loans	19	95%	1	5%	20	\$2,279	63%	\$1,351	37%	\$3,630
Farm Loans	16	80%	4	20%	20	\$1,824	66%	\$ 948	34%	\$2,772
Totals	52	87%	8	13%	60	\$6,153	65%	\$3,309	35%	\$9,462

Source: Loan Sample.

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

- The bank’s lending to borrowers of different incomes and to businesses of different sizes is satisfactory.

The analysis of the distribution of the residential real estate loan sample demonstrates that the bank makes a reasonable volume of its home loans to low- and moderate-income borrowers. While home loan originations to low-income borrowers as a percentage of total home loans are less than the percentage of low-income families in the AA (5% versus 11.41%, respectively), the level of home lending to moderate-income borrowers exceeds the AA demographic (20% versus 15.49%, respectively). A factor to consider in the lower penetration of home loans to low-income borrowers is that 6.31% of households in the AA live below the poverty level and may not be able to meet the bank’s credit underwriting criteria to qualify for home loans. Table 4 below reflects the bank’s distribution of home loans by borrower income level and compares this dispersion to the AA’s specific family income composition.

Table 4 - Borrower Distribution of Residential Real Estate Loans in the AA								
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	11.41%	5%	15.49%	20%	24.96%	25%	48.14%	50%

Source: Loan Sample; 2000 U. S. Census Data.

The commercial loan sample analysis indicates that originations during the evaluation period meets the standard for satisfactory performance. A majority (66%) of loan originations were to businesses with revenues under \$1,000,000. The percentage of businesses with reported revenues of less than \$1,000,000 is 53.66% for the AA. Table 4A below lists the percentages by dollar and by number of loans made to businesses of different sizes.

Table 4A - Borrower Distribution of Loans to Businesses in the AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	53.66%	4.86%	41.48%	100%
% of Bank Loans in AA by #	85%	15%	0%	100%
% of Bank Loans in AA by \$	66%	34%	0%	100%

Source: Loan sample; 2008 Dunn and Bradstreet data.

The agricultural loan sample analysis indicates that originations during the evaluation period exceed the standard for satisfactory performance. All (100%) of loan originations were to farms with revenues under \$1,000,000. The percentage of businesses with reported revenues of less than \$1,000,000 is 99.22% for the AA. Table 4B below lists the percentages by dollar and by number of loans made to farms of different sizes.

Table 4B - Borrower Distribution of Loans to Farms in the AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	99.22%	0.11%	0.67%	100%
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	0%	0%	100%

Source: Loan sample; 2008 Dunn and Bradstreet data.

Geographic Distribution of Loans

Because the bank's AA contains no low- or moderate-income geographies, a geographic analysis was not performed as it would not be meaningful. Therefore, this criterion is not applicable.

Responses to Complaints

No complaints related to CRA were received by either FNB or the Office of the Comptroller of the Currency since the last CRA examination.

Fair Lending or Other Illegal Credit Practices Review

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