



PUBLIC DISCLOSURE

September 26, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Odon
Charter Number 7260

501 W. Main Street
Odon, IN 47562

Office of the Comptroller of the Currency
8777 Purdue Road
Indianapolis, IN 46268

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 major facts that support the rating of Satisfactory are as follows:

- A substantial majority of loans were originated or purchased within the bank's assessment area (AA).
- The distribution of loans to individuals of different income levels and businesses of different sizes reflects excellent penetration.
- The geographic distribution of loans reflects reasonable dispersion.
- The bank's quarterly average loan-to-deposit ratio is reasonable.

SCOPE OF EXAMINATION

This performance evaluation of First National Bank of Odon (FNB) assesses the bank's record of meeting the credit needs of the communities in which it operates. We evaluated FNB under the Small Bank performance criteria which consists of a lending test. The lending test evaluates a bank's record of helping to meet the credit needs of its AAs through its lending activities.

The evaluation period is from October 18, 2011 through September 26, 2016. Conclusions regarding the bank's lending performance are based on FNB's primary loan products: residential real estate and business loans.

FNB is not subject to the Home Mortgage Disclosure Act (HMDA) reporting requirements. For our analysis, we selected a random sample of 20 residential real estate loans and 20 business loans that FNB originated or purchased from January 1, 2014 through June 30, 2016.

DESCRIPTION OF INSTITUTION

FNB is wholly owned by Dearmin Bancorp, Inc., a one-bank holding company. As of June 30, 2016, FNB reported total assets of \$93 million and net tier 1 capital of \$7 million. FNB's business strategy focuses on the origination of residential real estate and business loans. As of June 30, 2016, net loans and leases represented 36 percent of total assets and consisted of residential real estate loans (44 percent), commercial loans (30 percent), agricultural loans (15 percent), consumer loans (8 percent), and other loans (3 percent).

FNB is an intrastate bank headquartered in Odon, Indiana with a branch office located in Montgomery, Indiana. Both offices are located in middle-income geographies and have cash withdrawal only automated teller machines (ATMs) on the premises. FNB's two free standing full-service ATMs are located in Plainville (Daviness County) and within the Naval Surface

Warfare Center in Crane (Martin County). There are no legal, financial, or other factors impeding FNB’s ability to help meet the credit needs of the AA it serves.

FNB was rated “Satisfactory” at its last CRA evaluation dated October 17, 2011.

DESCRIPTION OF ASSESSMENT AREA

FNB’s AA consists of Daviess and Martin Counties in Indiana. The bank’s AA conforms to regulatory requirements and does not arbitrarily exclude low- and moderate-income geographies. FNB’s AA, based upon 2010 census data, has one moderate-income geography, seven middle-income geographies, and two upper-income geographies. There are no low-income geographies.

The 2016 Federal Financial Institutions Examination Council (FFIEC) adjusted median family income for the AA is \$57,100. The following is additional demographic data for the AA.

DEMOGRAPHIC DATA FOR FNB’S AA					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNAs)	10	0.00%	10.00%	70.00%	20.00%
Population by Geography	41,982	NA	9.06%	70.46%	20.48%
Owner-Occupied Housing by Geography	12,211	NA	6.63%	68.31%	25.06%
Business by Geography	2,356	NA	5.14%	74.41%	20.46%
Farms by Geography	273	NA	2.20%	76.56%	21.25%
Family Distribution by Income Level	10,513	14.92%	21.94%	23.78%	39.35%
Distribution of Low and Moderate Income Families throughout AA Geographies	3,876	NA	15.02%	71.08%	13.91%
Median Family Income		54,322	Median Housing Value		
FFIEC Estimated Median Family Income for 2016		57,100	Unemployment Rate (2010 US Census)		97,215
Households Below Poverty Level		12%			3.51%

Source: 2010 US Census; June 2016 Dunn & Bradstreet; and 2016 FFIEC updated MFI

Based on FDIC deposit market share data as of June 30, 2015, FNB’s deposits in this AA total \$77 million, which represents 100 percent of the bank’s total deposits. FNB is the third largest deposit-taking institution in the AA with a 14 percent market share as of June 30, 2015. The three largest competing financial institutions consist of German American Bancorp, Old National Bank, and First FSB of Washington.

Major industries consist of services, followed by non-classified establishments and retail trade. Major employers include Naval Surface Warfare Center, Daviess Community Hospital, Perdue Farms Inc., Walmart Stores Inc., Graber Post Buildings, and Grain Processing Corporation. The local economy remains stable. The June 2016 unemployment rate was 3.9 percent for Daviess County and 4.3 percent for Martin County, both below the Indiana unemployment rate of 4.6

percent and the national unemployment rate of 4.9 percent. Based on 2010 Census data, 8 percent of families lived below the poverty level in the AA.

We contacted a representative from the Washington Housing Authority who identified the following credit and non-credit related needs in the AA:

- Financial contributions to non-profit organizations that provide social services to low- and moderate-income individuals.
- Financial training for low- and moderate-income individuals, specifically the elderly and disabled.
- Flexible credit underwriting to meet the affordable housing needs of low- and moderate-income individuals.
- Small consumer loans of \$500 or less.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB's LTD ratio is reasonable given the institution's size, its financial condition, and AA credit needs.

As of June 30, 2016, FNB's LTD ratio was 39.78 percent. The bank's quarterly average LTD ratio since the last CRA evaluation was 40.26 percent. This ratio is lower than three comparable banks in FNB's AA with assets of up to \$150 million. The average LTD ratio of these banks ranges from 58 percent to 94 percent for the same time period. FNB's LTD ratio is lower than average due to an increase in core deposit growth due the closure of two larger regional bank branches in the AA and a deposit influx due to land acquisitions by the government for the I-69 expansion project resulting in surplus cash for farmers and landowners. The bank also faces lending competition from credit unions, other banks and nonbank financing sources, making new loan growth challenging. The limited lending opportunities also reflect the relatively smaller population in Odon's AA.

Lending in Assessment Area

FNB originated or purchased a substantial majority (90 percent) of loans inside its AA. Based on our sample of residential real estate and commercial loans, 95 percent and 85 percent of loans by number were originated or purchased within the bank's AA, respectively.

Lending in Daviess and Martin Counties										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total (\$)
	#	%	#	%		\$	%	\$	%	
Residential Real Estate	19	95.00%	1	5.00%	20	1,835	96.63%	64	3.37%	1,899
Business	17	85.00%	3	15.00%	20	945	84.98%	167	15.02%	1,112
Totals	36	90.00%	4	10.00%	40	2,780	92.33%	231	7.67%	3,011

Source: Sample of 20 residential real estate loans and 20 business loans originated from January 1, 2014 through June 30, 2016.

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

FNB’s lending distribution of residential real estate loans to borrowers of different income levels and to businesses of different sizes reflects excellent penetration.

Residential Real Estate Loans

The borrower distribution of residential real estate loans originated or purchased during the evaluation period is reasonable. Lending to moderate-income borrowers was excellent and lending to low-income borrowers is poor. In evaluating the borrower distribution, we considered the percentage of families who live below the poverty level coupled with the high median housing value and the barriers this may have on home ownership and refinancing.

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	14.92%	5.00%	21.94%	35.00%	23.78%	30.00%	39.35%	30.00%

Source: Sample of 20 residential real estate loans; 2010 U.S. Census data.

Business Loans

The distribution of loans to businesses of different sizes is excellent based on a sample of 20 loans originated or purchased between January 1, 2014 and June 30, 2016. Small loans to businesses are those businesses with gross annual revenues of \$1 million or less.

Borrower Distribution of Loans to Businesses in AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	81.45%	4.97%	13.58%	100.00%
% of Bank Loans in AA by #	95.00%	5.00%	0.00%	100.00%
% of Bank Loans in AA by \$	55.00%	45.00%	0.00%	100.00%

Source: Sample of 20 business loans; June 2016 Dunn & Bradstreet data.

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable distribution. FNB originated or purchased loans in all geographies within its AA. There were no low-income geographies and one moderate geography in the AA.

Residential Real Estate Loans

The geographic distribution of loans throughout the AA is reasonable and meets the standards for satisfactory performance. The percentage of residential real estate loans originated or purchased in the moderate-income geography is near the percentage of owner-occupied housing within those geographies.

Geographic Distribution of Residential Real Estate Loans in AA								
Census Tract Income Level	Low		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	% of AA Owner Occupied Housing	% of Number of Loans
Residential Real Estate	NA	NA	6.63%	5.00%	68.31%	80.00%	25.06%	15.00%

Source: Sample of 20 residential real estate loans; 2010 U.S. Census data.

Business Loans

The geographic distribution of business loans is reasonable. The percentage of business loans in the moderate-income geography is lower than the percentage of businesses within the geography. However, we considered the fact that the only moderate-income CT in this AA is located within the city of Washington and the level of competition for business loans is high.

Geographic Distribution of Loans to Businesses in 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	NA	NA	5.14%	0.00%	74.41%	85.00%	20.46%	15.00%

Source: Sample of 20 business loans; June 2016 Dunn & Bradstreet data.

Responses to Complaints

No CRA related complaints have been received by FNB or the OCC since the prior CRA evaluation.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c), or 12 CFR 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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