



PUBLIC DISCLOSURE

October 27, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Sycamore
Charter Number 11383

141 South Sycamore Avenue
Sycamore, OH 44882-0188

Office of the Comptroller of the Currency
Cleveland Field Office
200 Public Square Suite 1610
Cleveland, OH 44114-2301

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 factors supporting this rating are:

- The bank's loan-to-deposit ratio is reasonable given its size and financial condition, and the credit needs of its community.
- A majority of the loans that the bank has originated are within its assessment area.
- The bank's distribution of residential mortgage loans reflects reasonable penetration to borrowers of different income levels, its distribution of business loans reflects reasonable penetration to businesses of different sizes, and its distribution of agriculture loans reflects reasonable penetration to farms of different sizes.

SCOPE OF EXAMINATION

This Community Reinvestment Act (CRA) Performance Evaluation covers the period from July 14, 2008, to October 27, 2014. In conducting the examination, we used Small Bank CRA examination procedures. Because First National Bank of Sycamore (FNB) is not located in a metropolitan statistical area (MSA), we based our lending-related conclusions on a sample of residential mortgage loans, business loans, and agriculture loans that the bank originated during 2012 and 2013. We placed equal weight on our findings for all three portfolios in order to arrive at our conclusions. We also used 2010 U.S. Census data, 2013 business geodemographic data, internal bank reports, and other information from governmental websites during our review. Furthermore, we contacted two members of the community in order to better assess the needs of the community, and the opportunities for financial institutions to lend and provide services to the area.

DESCRIPTION OF INSTITUTION

FNB is a full-service community bank headquartered in Sycamore, Ohio. It is a wholly owned subsidiary of FNB Bancshares, Inc., a one-bank holding company. The bank has three branches, including its main office in Sycamore, a branch in McCutchenville, and a branch in New Riegel. It also has a second office in Sycamore, which only provides lending services. Furthermore, it has three automated teller machines (ATMs), which only dispense cash. The ATMs are located at an IGA grocery store in Sycamore, the New Riegel branch, and a separate drive-thru location in McCutchenville.

As of September 30, 2014, FNB had \$118.5 million in total assets, a \$53.6 million loan portfolio (45.3 percent of total assets), and \$14.0 million in Tier One Capital. The bank offers a wide range of deposit and loan products. Loan products include residential mortgage loans, home equity loans, construction loans, various consumer-type loans (including personal, automobile, and recreational vehicle loans), and a wide range of

business and farm loans. Table 1 provides a breakdown of the bank's overall loan portfolio by loan type. FNB does not have any financial, legal, or other impediments restricting its capacity to serve its community. The bank received a Satisfactory rating in its last CRA Performance Evaluation, dated July 14, 2008.

Table 1- FNB's Loan Portfolio as of September 30, 2014			
Loan Category	Amount (\$000's)	Percent of Total Loans	Percent of Total Assets
Residential Mortgage	27,118	50.58	22.88
Nonresidential Mortgage	10,315	19.24	8.70
Agriculture & Farmland	9,560	17.83	8.07
Commercial Non-mortgage	4,055	7.56	3.42
Consumer	2,517	4.69	2.12
Other	54	0.10	0.05
Total	\$53,619	100.00%	45.25%

Source: FNB's September 30, 2014, Call Report.

DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area is comprised of Crawford, Seneca, and Wyandot Counties, in the northwestern section of Ohio. Most of the assessment area consists of small towns and rural communities, and it includes three census tracts. The assessment area meets regulatory requirements, and does not arbitrarily exclude low- or moderate-income geographies. Based on 2010 U.S. Census data, none of the three census tracts in the assessment area are low- or moderate-income tracts, one is a middle-income tract, and two are upper-income tracts.

A number of other financial institutions serve FNB's assessment area, which provides for a competitive banking environment. There are 25 banks and savings associations with offices in the assessment area, including seven midsize or large banks and 18 community banks. There are also several credit unions that provide financial services within the assessment area. FNB has the 9th largest deposit market share in the assessment area, with 4.45 percent of the total deposits according to the June 30, 2013, FDIC Deposit Market Share Report.

Economic conditions in the assessment area are fair, with moderate rates of unemployment. As of December 31, 2013, unemployment rates within the assessment area ranged from 7.0 percent to 8.8 percent. In comparison, the national and State of Ohio unemployment rates were 6.7 percent and 7.1 percent, respectively, as of the same date.

Based on 2010 U.S. Census data, the assessment area contains less than one percent of the state's population, with 13,443 residents in 3,879 families and 4,920 households. The number and percentage of families in each income level within the assessment

area are as follows: 375 low-income families (9.67 percent); 565 moderate-income families (14.57 percent); 960 middle-income families (24.75 percent); and 1,979 upper-income families (51.02 percent). In aggregate, 940 families (24.23 percent) in the assessment area are designated low- or moderate-income. Furthermore, 6.1 percent of the households in the assessment area are living below the poverty level. The 2013 Federal Financial Institutions Examination Council (FFIEC) updated median family income for Ohio non-metropolitan areas is \$53,000.

The assessment area has 870 non-farm businesses and 311 farm businesses, according to 2013 business geodemographic data. The total number of non-farm businesses with gross revenues of \$1 million or less is 620 (71.26 percent), and the total number of farm businesses with gross revenues of \$1 million or less is 309 (99.36 percent).

During our assessment of the bank's performance, we considered information from two members of the community, in order to obtain an understanding of the assessment area's needs and credit opportunities. One individual was a member of an organization that is involved with the economic development of Wyandot County, while the other was a member of a nonprofit organization serving area individuals and families. The primary needs of the area were identified as residential mortgage loan programs directed at low- and moderate-income individuals, and programs where homebuyers are able to make less than the normal 20 percent down payment generally required by financial institutions. Another primary need included working with agriculture-related business to better meet their credit needs

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB's loan-to-deposit (LTD) ratio is reasonable given the bank's size and financial condition and the credit needs of its community, and the ratio meets the standard for satisfactory performance. During the evaluation period of March 1, 2008, through June 30, 2014, the bank's average quarterly LTD ratio was 61 percent. We evaluated FNB's average LTD ratio using local competitors, which included state- and federally-chartered financial institutions with total assets ranging from \$42 million to \$432 million. During the same period, this group's average LTD ratio was 78 percent. While FNB's average LTD ratio was lower than its competitors', FNB has traditionally had a lower LTD ratio. For its last two CRA Performance Evaluations, FNB's average LTD ratio has been 57 percent and 66 percent, respectively. Furthermore, FNB's LTD ratio likely understates its lending performance, since the bank actively sells residential mortgage loans that it originates, to the secondary market. FNB sold \$1.1 million of loans to the secondary market in 2012, \$1.6 million in 2013, and \$282 thousand in 2014 (year-to-date).

Lending in Assessment Area

FNB originates a majority of its residential mortgage loans, business loans, and agriculture loans within its assessment area, meeting the standard for satisfactory performance. Table 2 shows that out of a sample of 251 residential mortgage loans, business loans, and agriculture loans originated during 2012 and 2013, 174 were made within the bank's assessment area. The 174 loans represent 69.3 percent of the number of loans, and 78.9 percent of the dollar amount of loans, in the sample.

Type of Loan	Number of Loans				Dollars of Loans (000's)			
	Inside		Outside		Inside		Outside	
	#	%	#	%	\$	%	\$	%
Residential Mortgage	58	67.4	28	32.6	4,920	64.2	2,746	35.8
Commercial	52	59.8	35	40.2	3,844	59.1	2,660	40.9
Agriculture	64	82.1	14	17.9	20,637	89.3	2,467	11.7
Total	174	69.3	77	30.7	29,401	78.9	7,873	21.1

Source: Sample of 86 residential real estate loans, 87 business loans, and 78 agriculture loans.

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

FNB's distribution of residential mortgage loans reflects reasonable penetration to borrowers of different income levels, including low- and moderate-income borrowers. The bank's distribution of business loans reflects reasonable penetration to businesses of different sizes, including businesses with gross annual revenues of \$1 million or less. The bank's distribution of agriculture loans reflects reasonable penetration to farms of different sizes, including farms with gross annual revenues of \$1 million or less.

Residential Mortgage Loans

Table 3 shows the distribution of a sample of 58 residential mortgage loans originated by FNB, within the bank's assessment area (AA). The distribution reflects reasonable penetration to borrowers of different income levels. Based on the sample, FNB made 31.0 percent of its residential mortgage loans to moderate-income borrowers. This compares very favorably to the 14.5 percent of families within in the assessment area that are moderate-income. FNB also made 6.9 percent of its residential mortgage loans to low-income borrowers. This is below the 9.7 percent of families within the assessment area that are low-income. However, in evaluating the borrower distribution of residential loans, we considered that 4.1 percent of households within the assessment area live below the poverty line, and the barriers that this may have on home ownership. It is especially difficult for the segment of the population living below the poverty line to afford and maintain a home.

Table 3 - Borrower Distribution of FNB's Residential Mortgage Loans								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
	9.7	6.9	14.5	31.0	24.8	37.9	51.0	24.2

Source: Sample of 58 residential mortgage loans; 2010 U.S. Census data; FFIEC Updated Median Family Income.

Business Loans

Table 4 shows the distribution of a sample of 52 business loans originated by FNB, within the bank's assessment area. The distribution reflects reasonable penetration to businesses of different sizes, including businesses with gross annual revenues of \$1 million or less. Based on the sample, FNB made 69.2 percent of its loans to businesses with gross annual revenues of \$1 million or less, while 71.3 percent of the businesses within the assessment area are in that revenue category. Revenue information is unavailable or unknown for 24.8 percent of the businesses within the assessment area.

Table 4 - Borrower Distribution of FNB's Business Loans				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	71.3	3.9	24.8	100
% of Bank Loans in AA by #	69.2	23.1	7.7	100
% of Bank Loans in AA by \$	54.9	40.1	5.0	100

Source: Sample of 52 business loans; 2013 Business Geodemographic Data.

Agriculture Loans

Table 5 shows the distribution of a sample of 64 agriculture loans originated by FNB within the bank's assessment area. The distribution reflects reasonable penetration to farms of different sizes, including farms with gross annual revenues of \$1 million or less. Based on the sample, FNB made 95.3 percent of its agriculture loans to farms with gross annual revenues of \$1 million or less, while 99.4 percent of the farms within the assessment area are in that revenue category.

Table 5 - Borrower Distribution of FNB's Agriculture Loans				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	99.4	0.0	0.6	100
% of Bank Loans in AA by #	95.3	4.7	0.0	100
% of Bank Loans in AA by \$	87.2	12.8	0.0	100

Source: Sample of 64 agriculture loans; 2013 Business Geodemographic Data.

Geographic Distribution of Loans

We could not perform a meaningful analysis of FNB's distribution of loans to geographies of different income levels, due to the lack of low- or moderate-income census tracts within the bank's assessment area. However, FNB's overall geographic distribution of loans reflects a reasonable dispersion throughout the assessment area, based on our sample of 174 loans.

Responses to Complaints

There have been no consumer complaints relating to the bank's CRA performance during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's or federal savings association's 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.