



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

April 30, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank in New Bremen
Charter Number 14294**

**435 South Washington Street
New Bremen, OH 45869**

**Comptroller of the Currency
Central Ohio Field Office
325 Cramer Creek Court, Suite 101
Dublin, OH 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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory. The bank's current and 20 quarter average loan-to-deposit ratios are reasonable and commensurate with those demonstrated by local peer banks. A majority of the loans are made within the bank's defined assessment areas. There is reasonable dispersion of loans to individual borrowers and businesses of different income levels.

DESCRIPTION OF INSTITUTION

The First National Bank in New Bremen (FNB) is an independently owned community bank located approximately 90 miles northwest of Columbus, Ohio in the village of New Bremen, Ohio. FNB operates four full-service banking offices, with two in Auglaize County (New Bremen and Wapakoneta) and two in Shelby County (Botkins and Sidney). Each location offers automated teller machines, which operate 24 hours a day as part of a nationwide network. The bank is retail oriented, offering primarily residential mortgages and home improvement loans representing 47% of gross loans. Business loans represent 33% of gross loans.

American Budget Company (ABC), a wholly owned finance company subsidiary of FNB, has seven office locations including Coldwater, Lima, New Bremen, Sidney, St. Marys, Versailles, and Wapakoneta. These offices are all within 25 miles of FNB and ABC's main office location is in New Bremen. The finance company offers consumer loans of all dollar amounts as well as first and junior lien real estate loans. A wholly owned subsidiary of ABC, New Bremen Life Insurance Company acts as a re-insurer of credit life, accident and health insurance sold 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.

FNB's December 31, 2002 Call Report showed total assets of \$146 million and gross loans of \$89 million. Loans for one-to-four family residential homes, commercial and commercial real estate, and individual consumer purposes represent 47%, 33% and 8% of gross loans, respectively. Other types of loans account for the remaining 12% with no single loan type representing more than 5% of gross loans. Net loans represent 61% of total assets. FNB's CRA rating as of February 1998 was "Satisfactory Record of Meeting Community Needs."

DESCRIPTION OF ASSESSMENT AREAS

The bank's assessment areas (AA) include all of Auglaize and Shelby Counties and two block numbering areas (BNA) in Mercer County. Auglaize County is in the Lima, Ohio Metropolitan Statistical Area (MSA #4320) and includes 9 (90%) middle-income census tracts (CT) and one (10%) upper-income CT. Shelby and Mercer Counties are not in an MSA and include one (8%) moderate-income, four (33%) middle-income and seven (59%) upper-income BNAs. The AA complies with all regulatory requirements and does not arbitrarily exclude any low- or moderate-income areas. As of the 1990 Census, the population of the AAs is 97,348. The 2002 updated non-MSA median family income is \$48,700. The 2002 updated MSA median family income is \$52,300.

The economies of Auglaize and Shelby Counties are centered in manufacturing with significant retail trade services. As of January 31, 2003, the unemployment rates for the counties were 5.6% and 5.4%, respectively. The Mercer County economy is centered in retail trade with significant manufacturing interests. The economic condition of the area is stable. The unemployment rate for Mercer County was 5.6% as of January 31, 2003. The State of Ohio's unemployment rate is 5.5% and the national unemployment rate is 5.7%. The largest employers in Auglaize County are Crown Equipment, Minster Machine and The Dannon Company. The largest employers in Shelby County are Honda and Copeland Corporation. In Mercer County, the largest employers are Celina City Board of Education, Cooper Farms, Crown Equipment and Reynolds & Reynolds.

Of the MSA AA's 16,907 housing units, approximately 73% are owner-occupied and have a median housing value of \$58,711. Of the non-MSA AA's 13,765 housing units, approximately 69% are owner-occupied and have a median housing value of \$61,547.

Overall competition is considered strong. In terms of market share for the communities the bank serves, competition comes primarily from four community banks, three regional banks and one multi-national bank. In addition, Farm Credit Services in Celina competes for the agriculture loan market.

A community contact interview did not reveal any primary credit needs that are not being met by local financial institutions.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB's loan-to-deposit (LTD) ratio of 76% as of December 31, 2002, and average LTD ratio over the last 20 quarters of 87% are reasonable and meet the requirements for satisfactory performance. For analysis purposes, FNB's current and 20-quarter average LTD ratios were compared with a custom peer group consisting of three banks of similar size and purpose competing within the same AAs. The analysis shows that FNB's LTD ratios approximated the peer group's current range of 77% to 89%, and the 20-quarter average range of 81% to 93% and supports satisfactory performance.

Lending in Assessment Area

The bank meets the standards for satisfactory performance with respect to lending in the AA's. A majority of the bank's loans are made within its identified AAs. The bank's HMDA data for 1999, 2000, 2001 and 2002 was reviewed to determine the level of home loans originated within the AAs. A total of 1,019 loans were made with 777 (76%) originated in the bank's defined AAs. On a dollar basis, \$76.6 million in loans were originated with \$62.5 million (82%) in the AAs. We also reviewed a sample of twenty business/farm loans and determined that sixteen of those loans (80%) were made in the bank's AAs.

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

Overall lending to borrowers of different incomes and to businesses of different sizes is satisfactory and reflects reasonable penetration. In the MSA AA, the distribution of residential real estate lending reflects good penetration among individuals of different income levels including low- and moderate-income borrowers. The chart below indicates satisfactory performance. The results were based on information reported for HMDA from 1999 through 2002.

MSA #4320 HMDA Loans by Borrower Income vs. AA Families by Income Category								
(Census)								
Income Category	Purchase		Improvement		Refinance		Total	Census
	# loans	%	# loans	%	# loans	%		
Low	20	19%	4	23%	26	9%	11%	14%
	954	12%	24	10%	524	2%	5%	
Moderate	30	28%	13	29%	70	23%	25%	19%
	1,934	25%	434	24%	3,750	16%	19%	
Middle	26	25%	9	27%	71	23%	24%	25%
	2,032	26%	296	35%	4,680	20%	21%	
Upper	30	27%	12	15%	136	45%	40%	42%
	2,925	37%	619	24%	14,681	62%	55%	

For the Non-MSA AA, both the number and dollar volume of loans made to low-income borrowers are low compared to census data. However, overall performance is reasonable considering that approximately 8% of all Non-MSA AA households live below the poverty level and would have trouble meeting routine credit criteria. The bank's level of lending to moderate-income borrowers compares favorably with the AA's demographics.

Non-MSA HMDA Loans by Borrower Income vs. AA Families by Income Category								
(Census)								
Income Category	Purchase		Improvement		Refinance		Total	Census
	# loans	%	# loans	%	# loans	%		
Low	6	6%	3	9%	4	2%	4%	12%
	255	3%	77	15%	181	1%	2%	
Moderate	18	18%	9	26%	35	15%	17%	16%
	920	11%	127	24%	1,958	10%	10%	
Middle	33	33%	9	26%	63	28%	29%	23%
	2,503	30%	128	25%	4,861	24%	26%	
Upper	44	43%	13	39%	125	55%	50%	49%
	4,576	55%	190	36%	13,609	65%	62%	

Lending to businesses and farms of different sizes is reasonable. In order to determine the bank's performance of lending to businesses of different sizes, we selected a sample of twenty loans. Eleven of the twenty loans were made to businesses or farms with annual revenues less than \$1 million. This represents 55% of the number of loans in the sample. Census data for the two

AAs shows that 87% of the businesses have revenues of less than \$1 million.

Geographic Distribution of Loans

The bank’s distribution of loans throughout geographies of different income levels, including moderate-income geographies, meets the standards for satisfactory performance. Analysis of the HMDA data from 1999 through 2002 for the non-MSA AA indicates satisfactory performance with respect to the geographic distribution of loans. This AA does not include any low-income geographies.

Non-MSA HMDA Loans by Geography vs. AA Owner Occupied Housing Units (Census)								
Income Category	Purchase		Improvement		Refinance		Total	Census
	# loans \$ loans	%	# loans \$ loans	%	# loans \$ loans	%		
Moderate	5	5%	0	N/A	8	4%	4%	
	482	6%	0	N/A	1,034	5%	5%	5%
Middle	32	32%	10	29%	54	24%	26%	
	2,457	30%	154	30%	4,334	21%	23%	31%
Upper	64	63%	24	71%	166	72%	70%	
	5,315	64%	368	70%	15,521	74%	72%	64%

In the MSA, the bank’s AA includes only middle- and upper-income geographies. Therefore, a geographic distribution analysis would not be meaningful.

Responses to Complaints

No complaints relating to the bank’s CRA performance have been submitted during the evaluation period.

Fair Lending Review, Other Illegal Credit Practices, and Predatory and Abusive Lending Practices

We found no evidence of illegal discrimination or other illegal credit practices.