



PUBLIC DISCLOSURE

January 4, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Mutual Bank, FSB
Charter Number 703764

605 Washington Blvd
Belpre, OH 45714

Office of the Comptroller of the Currency

Northern Ohio 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, 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

Institution’s CRA Rating: This institution is rated **Satisfactory**

The lending test is rated: Satisfactory

The major factors that support this rating include:

- The lending test rating is based on a reasonable distribution of home mortgage loans to borrowers of different income levels in the states of Ohio and West Virginia, and a reasonable geographic distribution of loans in the state of West Virginia.
- A substantial majority of the bank’s loans are inside its AAs and meets the criteria for outstanding performance.
- The bank’s loan-to-deposit (LTD) ratio is reasonable.

Loan-to-Deposit Ratio

Considering First Mutual Bank’s (FMB or bank) size, financial condition, and credit needs of the assessment area (AA), the bank’s LTD ratio is reasonable.

FMB’s LTD ratio is calculated on a bank-wide basis and meets the standard for satisfactory performance. During the evaluation period, the bank’s average quarterly LTD ratio was 53.5 percent, with quarterly ratios ranging from a low of 43.6 percent in the first quarter of 2018 to a high of 61.4 percent in the third quarter of 2020. In comparison, the average LTD for other banks of similar asset size ranged between 43.3 percent to 109.9 percent. Despite its lower average LTD ratio, FMB’s performance is reasonable considering lending is impacted by competition from other banks, credit unions, and non-local financial institutions and that the bank’s LTD ratio increased steadily during the period.

Lending in Assessment Area

A substantial majority of the bank’s loans are inside its AAs, and meets the criteria for outstanding performance. During the evaluation period, the bank originated 83.1 percent by number and 84.6 percent by dollar amount of its total home mortgage loans within its AAs.

Lending Inside and Outside of the Assessment Areas 2018-2020										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage Loans	148	83.1	30	16.9	178	25,068	84.6	4,557	15.4	29,625

Source: Evaluation Period: 1/1/2018 - 12/31/2020 bank lending data. Due to rounding, totals may not equal 100.0

Description of Institution

FMB is an interstate mutual savings bank headquartered in Belpre, Ohio and was formed via a merger of Doolin Security Savings Bank, FSB, New Martinsville, WV and Belpre Savings Bank, Belpre, OH effective January 1, 2018, forming FMB. First Mutual Holding Co. (FMHC) in Lakewood, Ohio owns FMB. FMHC also owns First Federal Savings & Loan of Lakewood, Warsaw Federal Savings & Loan Association and Blue Grass Federal Savings & Loan Association. As of December 31, 2020, the bank reported total assets of \$93.5 million and tier 1 capital of \$7.3 million, or 7.8 percent of assets.

FMB's strategic focus is originating residential home mortgage loans. The bank established commercial lending as a secondary loan product during 2020. FMB also offers other loans, such as home equity lines of credit, automobile loans and consumer loans; however, these loans are not a lending focus of the bank. During 2020, the bank offered loans under the Paycheck Protection Program (PPP) through the Small Business Administration. The bank does not offer government-lending products, such as Federal Housing Authority (FHA) or Veterans Administration (VA) loans. FMB is a portfolio lender and does not sell its loans, or the servicing of its loans, to the secondary market. FMB offers a wide range of deposit products and services including checking, savings, money market accounts, certificates of deposit, and online and mobile banking. Business related deposit products and services include checking, savings and money market accounts. FMB is a member of the MoneyPass ATM network which allows surcharge free access to ATMs across the country.

From March 31, 2018 to December 31, 2020, FMB's loan portfolio grew 40.6 percent. As of December 31, 2020, the bank's loan portfolio totaled \$48.8 million, 94.4 percent of which is secured by real estate. The loan portfolio is comprised of 86.0 percent residential mortgages, 4.3 percent commercial and industrial loans, 4.0 percent nonfarm nonresidential properties, 3.5 percent construction loans, 1.3 percent consumer loans, and 0.9 percent multi-family loans.

During the evaluation period, FMB operated in two states and designated three AAs. The Washington County, Ohio AA includes all of Washington County and is not part of a Metropolitan Statistical Area (MSA). The Wood County, West Virginia AA includes all of Wood County and is part of the Parkersburg-Vienna, WV MSA. FMB's Tri-County, West Virginia AA includes the contiguous counties of Wetzel, Tyler and Pleasants and is not part of an MSA.

There are no legal, financial, or other factors impeding FMB's ability to help meet the credit needs of the AAs. This is the first evaluation of FMB under the CRA.

Scope of the Evaluation

Evaluation Period/Products Evaluated

This performance evaluation assesses FMB's record of meeting the credit needs of its AA. We performed this review using small bank CRA examination procedures. The lending test evaluates the bank's record of meeting the credit needs of the bank's AAs, through its home mortgage lending activities. The evaluation period for lending activity covers January 1, 2018 to December 31, 2020. Based on the bank's internal reports for lending activity during the evaluation period and discussions with senior management, we determined that the bank's primary lending focus during the evaluation period was home mortgage loans.

We evaluated FMB's lending performance based on its primary loan product of home mortgage loans. While the bank offers multifamily, HELOCs, consumer installment, and business loans, these products are not a primary focus for the bank. As a result, we did not consider these as part of our evaluation, as an analysis of this data would not be meaningful.

Selection of Areas for Full-Scope Review

We selected the bank's Washington County, OH and Wood County, WV AAs for full-scope reviews, as FMB did not originate or purchase a sufficient volume of home mortgage loans in the Tri-County, WV AA to allow for quantitative analysis. It is a rural area, which has very little business or residential growth and a declining population. Please refer to *Appendix A – Scope of Examination* for more information on these AAs.

Ratings

The bank's overall rating is a blend of the state of Ohio and West Virginia ratings. The state ratings are based on performance in the bank's AAs that received full-scope reviews. We gave equal consideration to the bank's performance within the Washington County, OH and Wood County, WV AAs when determining the overall rating.

In reaching our conclusion, we weighed information from the following performance criteria when analyzing the bank's primary lending products: lending within the AAs, lending to individuals of different income levels, and the geographic distribution of the bank's loans. Refer to the "Scope" paragraph within the "State" section of this document for details regarding how any areas were weighted in arriving at the respective ratings.

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 AA 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.

State Rating

State of Ohio

CRA rating for the State of Ohio: Satisfactory

The Lending Test is rated: Satisfactory

The major factors that support this rating include:

- The bank's distribution of home mortgage loans to borrowers of different income levels is reasonable.
- The bank did not receive any complaints regarding its performance in helping meet the credit needs within its AA.

Description of Institution's Operations in Ohio

Washington County AA

The bank's Washington County, Ohio AA is comprised largely of rural cities. The AA is located in southeastern Ohio along the Ohio river, and its primary city is Marietta. The AA is comprised of contiguous geographies and does not arbitrarily exclude any low- or moderate-income census tracts (CTs) based on the designation of their income level or the demographic make-up of the CTs. Based on 2015 ACS data, the AA consists of 16 CTs and includes no low-income CTs, two moderate-income CTs, twelve middle-income CTs and two upper-income CTs. In addition, the AA contains no designated distressed or underserved middle-income areas.

As of our evaluation, the bank operated two branch offices in the city of Belpre, Ohio, which includes the bank's main office and headquarters. Each office is open Monday through Saturday and offers drive-through services. Non-deposit taking ATMs are located at each branch and offer 24-hour accessibility. Based on 2015 ACS Census data, both branches are located in middle-income CTs. The bank did not open or close any branch locations during the period.

Competition for deposits in the AA is considerable, with 10 institutions operating in a mostly rural area, with a population of only 61,351. Half of FMB's competitors are large multi-state banks. Per the June 30, 2020, Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, these institutions operate 28 offices in the AA. This does not include credit unions or other financial services providers. FMB ranked last in terms of deposit market share, with 1.6 percent, or \$31.8 million of insured deposits, which is a decrease from their 2.4 percent market share as of June 30, 2018. The largest competitors for deposits include Peoples Bank, JP Morgan Chase, and Citizens Bank, which hold a combined 77.6 percent of the deposit market, making it difficult for the smaller, local banks to compete.

Significant competition for loans exists in the AA. Based on 2019 peer mortgage loan data, 160 lenders originated or purchased home mortgage loans within the AA. The top five home mortgage loan lenders

in the AA are large banks and mortgage companies, which hold a combined 47.3 percent share of the market. FMB is not required to report its home mortgage loan data. During the evaluation period, the bank originated 61 home mortgage loans totaling \$11.1 million in the AA.

Economic conditions in the AA prior to the COVID-19 pandemic lagged behind the state of Ohio. The unemployment level at the beginning of 2018 for the AA was 6.9 percent, decreasing to 5.3 percent as of year-end 2019. In comparison, the Ohio unemployment rate ranged from 4.5 percent in 2018 to 4.1 percent in at the end of 2019. During 2020, both the AA and the state experienced double-digit unemployment numbers due to the pandemic. The area was once a large manufacturing hub, but many plants closed, and service industry jobs replaced those high wage manufacturing jobs. As of December 31, 2020, Washington County had the 25th highest unemployment percentage of the 88 counties in Ohio. According to 2020 Dun & Bradstreet data, 78.1 percent of businesses located in the AA have less than \$1 million in gross annual revenues and 62.5 percent of businesses have fewer than five employees. Only 2.6 percent of businesses are headquartered in the AA, while 84.0 percent operate from a single location. Major employers include Marietta Memorial Health System, Pioneer Group, Thermo Fisher Scientific, Kraton Polymers and Peoples Bancorp.

We utilized an interview conducted with a local community organization focused on affordable housing and services to low- and moderate-income families within the Washington County AA. They identified the need for affordable housing as a significant issue in the area due to the after-effects of the fracking boom a few years ago. Other opportunities include matching funding for government grants, as well as grants for nutritional support for their clients resulting from food insecurity during the pandemic.

Demographic information for the full-scope assessment area is contained in the table below.

Table A – Demographic Information of the Assessment Area						
Assessment Area: FMB - Washington County OH AA 2018-2020						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	16	0.0	12.5	75.0	12.5	0.0
Population by Geography	61,351	0.0	10.5	80.7	8.9	0.0
Housing Units by Geography	28,124	0.0	10.4	81.4	8.2	0.0
Owner-Occupied Units by Geography	18,837	0.0	7.2	82.7	10.1	0.0
Occupied Rental Units by Geography	6,227	0.0	19.1	76.9	4.0	0.0
Vacant Units by Geography	3,060	0.0	11.9	82.6	5.6	0.0
Businesses by Geography	3,695	0.0	22.5	69.1	8.3	0.0
Farms by Geography	196	0.0	6.1	81.6	12.2	0.0
Family Distribution by Income Level	16,380	19.6	18.2	20.4	41.8	0.0
Household Distribution by Income Level	25,064	26.2	16.4	17.0	40.4	0.0
Median Family Income Non-MSAs - OH		\$55,785	Median Housing Value			\$113,737
			Median Gross Rent			\$603
			Families Below Poverty Level			10.8%

Source: 2015 ACS and 2020 D&B Data Due to rounding, totals may not equal 100.0%. () The NA category consists of geographies that have not been assigned an income classification.*

Scope of Evaluation in Ohio

The analysis reflects a full-scope review of the bank's one delineated Ohio AA of Washington County. We evaluated FMB's performance in the state of Ohio by analyzing the bank's home mortgage lending performance from January 1, 2018, through December 31, 2020. To develop our conclusions, we considered factors within the AA's community profile that would impact the bank's ability to lend within the AA, including demographic and market share information. The Office of Management and Budget (OMB) instituted changes to some MSA delineations that took effect January 1, 2018. The bank's AA was not impacted by the OMB changes, allowing 2018 through 2020 data to be combined for analysis.

For comparative purposes, we considered the demographic percentage of owner-occupied housing units and families in low- and moderate-income geographies, as well as aggregate bank geographic distribution data in the AA for 2018 and 2019, as 2020 aggregate information for home mortgage loans was not available at the time of our evaluation. We also utilized other supporting information while evaluating FMB's CRA performance. Additional supporting information included 2015 ACS census data, 2018 through 2020 bank loan data, internal bank records, deposit market share data, and information from governmental websites regarding the characteristics and economy of the bank's AAs. We also considered information from a community contact to help assess the needs of the bank's AA and the opportunities for financial institutions to lend and provide services within that area.

LENDING TEST

The bank's performance under the lending test in Ohio is rated Satisfactory.

Conclusions for Area Receiving a Full-Scope Review

Based on a full-scope review, the bank's performance in the Washington County AA is reasonable.

Distribution of Loans by Income Level of the Geography

FMB exhibits poor geographic distribution of home mortgage loans in the AA.

In determining our ratings, we weighed demographic factors of the AA that could affect the bank's ability to lend. These factors include competition from larger institutions, no low-income CTs, the limited number of moderate-income CTs, area demographics, and the location of the majority of owner-occupied housing. For instance, better lending opportunities exist in upper- and middle-income CTs within the bank's AA. According to the 2015 ACS, those CTs contained 92.8 percent of owner-occupied housing units in the AA. Additionally, 40.7 percent of housing units in moderate-income CTs are renter occupied, while 12.5 percent of housing units are vacant. We also considered the fact that while 71.1 percent of the housing units located in moderate-income CTs are single family homes, this represents a total of only 2,073 housing units.

Home Mortgage Loans

Refer to Table O in the state of Ohio section of *Appendix D* for the facts and data used to evaluate FMB's geographic distribution of home mortgage loans.

The bank's overall distribution of home mortgage loans among geographies of different income levels throughout the AA is poor. During the assessment period, FMB did not originate any loans in moderate-income CTs, while aggregate lending distribution was at 6.5 percent. Both of FMB's branches are located in Belpre, in the southwest part of the AA, while both of the AA's moderate-income CTs are located in the central part of the AA in Marietta. This leads to a competitive disadvantage as six large multi-state financial institutions and several local banks and credit unions operate branches within those moderate-income CTs. This demonstrates the effect competition and limited owner-occupied housing have on the bank's ability to originate residential mortgages within moderate-income census tracts of the AA. As a result, this rating had a limited impact on the bank's overall CRA rating.

Distribution of Loans by Income Level of the Borrower

FMB exhibits a reasonable distribution of loans to individuals of different income levels, given the product lines offered by the bank and the bank's capacity to lend.

In evaluating the borrower distribution of home mortgage loans, we considered the level of competition and its effect on limiting the bank's ability to lend to borrowers of different incomes, as well as the economic conditions in the AA. We also considered the percentage of families that live below the poverty level, and barriers this creates for these families to qualify for home mortgage financing and their financial capacity to own a home. Only 3,216 low-income families reside in the AA, of which 1,769 (54.8 percent) live below poverty. Given the median home value of \$113,737, it would be difficult for this segment of the population to afford and maintain a home.

Home Mortgage Loans

Refer to Table P in the state of Ohio section of *Appendix D* for the facts and data used to evaluate FMB's distribution of home mortgage loans to borrowers of different income levels.

The distribution of the bank's home mortgage lending to low- and moderate-income borrowers is reasonable. FMB's proportion of loans to low-income families at 1.7 percent is significantly below the percentage of low-income families at 19.6 percent. However, aggregate banks also had difficulty lending to low-income borrowers, with a lending percentage of 5.6 percent. The bank's home mortgage lending percentage to moderate-income borrowers of 14.8 percent is near the percentage of moderate-income families at 18.2 percent and the aggregate lending percentage of 19.6 percent.

Our analysis also considered that FMB is a conventional-only home mortgage loan lender. Aggregate lending data for the overall market includes lending activity for government-backed products such as FHA, VA, and Rural Housing Services loans and may put the bank at a competitive disadvantage in the AA as these loans can have more relaxed lending guidelines and payment terms. Our analysis of aggregate lending data during the evaluation period determined that a fair portion of the lending activity to the AA's low- and moderate-income borrowers was addressed through loan types that the bank does not offer. During 2018 and 2019, 28.1 percent of home mortgage loans to low-income borrowers and 33.0 percent of home mortgage loans to moderate-income borrowers were government-backed loans. This resulted in HMDA reporting financial institutions only originating a total of 300 and 558 conventional loans to low- and moderate -income borrowers, respectively, during those two years.

Responses to Complaints

MSB did not receive any complaints pertaining to the CRA during the evaluation period.

State Rating

State of West Virginia

CRA rating for the State of West Virginia: Satisfactory

The Lending Test is rated: Satisfactory

The major factors that support this rating include:

- The bank's distribution of home mortgage loans to borrowers and geographies of different income levels is reasonable.
- The bank did not receive any complaints regarding its performance in helping meet the credit needs within its AA.

Description of Institution's Operations in West Virginia

Wood County AA

The bank's Wood County, West Virginia AA is located on the Ohio River in the west central part of the state and its primary city is Parkersburg, WV. The AA is comprised of contiguous geographies and does not arbitrarily exclude any low- or moderate-income areas. Based on 2015 ACS data, the AA consists of 16 CTs and includes no low-income CTs, five moderate-income CTs, fifteen middle-income CTs and six upper-income CTs. In addition, the AA contains no designated distressed or underserved middle-income areas.

The bank operated one branch office in the city of Parkersburg, WV during the evaluation period. The office is open Monday through Saturday and offers drive-through services. The branch has a non-deposit taking ATM to offer 24-hour accessibility. Based on 2015 ACS Census data, the branch is located in a middle-income CT. The bank did not open or close any branch locations during the period.

Competition for deposits in the AA is substantial, with 11 institutions operating in an area with a population of 86,559. Five of FMB's competitors are large multi-state banks. Per the June 30, 2020, FDIC Deposit Market Share Report, these institutions operate 28 offices in the AA. This does not include credit unions or other financial services providers. FMB ranked tenth in terms of deposit market share, with 0.48 percent, or \$9.1 million of insured deposits, which is consistent with 2018 and 2019 data. The largest competitors for deposits include United Bank, WesBanco Bank, Branch Banking and Trust and the Community Bank of Parkersburg, which hold a combined 73.2 percent of the deposit market.

Significant competition for loans exists in the AA. Based on 2019 peer mortgage loan data, 139 lenders originated or purchased home mortgage loans within the AA. The top five home mortgage loan lenders in the AA include larger banks and mortgage companies, and hold a combined 37.3 percent share of the market. During the evaluation period, FMB originated 69 home mortgage loans totaling \$11.2 million in the AA.

Economic conditions in the AA prior to the COVID-19 pandemic lagged slightly behind the state of West Virginia. The unemployment level at the beginning of 2018 for the AA was 6.5 percent, decreasing to 5.0 percent as of year-end 2019. In comparison, the West Virginia unemployment rate ranged from 6.1 percent in 2018 to 4.8 percent at the end of 2019. Per Moody's Analytics, the AAs economy was in recession during 2020. Low-wage employment, which accounts for two-thirds of local jobs compared with one-third of the total nationally, was hit disproportionately hard. Job losses have mounted in consumer-facing industries such as leisure, hospitality and retail. Gas and oil industry jobs did see a recent increase; however, most of these went to people living outside of the area. During 2020, both the AA and the state experienced double-digit unemployment numbers due to the pandemic. According to 2020 Dun & Bradstreet data, 80.0 percent of businesses located in the AA have less than \$1 million in gross annual revenues and 58.7 percent of businesses have fewer than five employees. Only 2.3 percent of businesses are headquartered in the AA, while 84.0 percent operate from a single location. Major employers include Chemours Corporation, Camden Clark Memorial Hospital, Peoples Bancorp, GE Advanced Materials, and Pioneer Pipe.

We utilized an interview conducted with a local community organization focused on affordable housing and providing services to low- and moderate-income individuals and families with emergency needs, home weatherization, education and employment assistance, heating and utility assistance, home acquisition and home repair loans within the Wood County AA. They identified the need for rent, mortgage and utility assistance, as well as home repair loans, seed funding for various social enterprise businesses, and volunteer income tax assistance.

Demographic information for the full-scope assessment area is contained in the table below.

Table A – Demographic Information of the Assessment Area						
Assessment Area: FMB Wood County WV AA 2020						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	26	0.0	19.2	57.7	23.1	0.0
Population by Geography	86,559	0.0	10.1	68.8	21.1	0.0
Housing Units by Geography	40,265	0.0	11.1	68.7	20.2	0.0
Owner-Occupied Units by Geography	25,791	0.0	8.5	67.4	24.2	0.0
Occupied Rental Units by Geography	10,401	0.0	15.0	71.6	13.4	0.0
Vacant Units by Geography	4,073	0.0	17.5	69.9	12.6	0.0
Businesses by Geography	4,965	0.0	10.7	70.7	18.6	0.0
Farms by Geography	109	0.0	2.8	80.7	16.5	0.0
Family Distribution by Income Level	23,325	20.5	17.1	20.3	42.1	0.0
Household Distribution by Income Level	36,192	23.8	17.0	17.8	41.4	0.0
Median Family Income MSA - 37620 Parkersburg-Vienna, WV MSA		\$51,552	Median Housing Value			\$107,576
			Median Gross Rent			\$625
			Families Below Poverty Level			13.1%

Source: 2015 ACS and 2020 D&B Data. Due to rounding, totals may not equal 100.0%. () The NA category consists of geographies that have not been assigned an income classification.*

Scope of Evaluation in West Virginia

For the state of West Virginia, we completed a full-scope review of the Wood County AA. We performed a limited-scope review of the Tri-County AA, as the bank did not originate a sufficient number of loans in the AA to perform a quantitative analysis. We evaluated FMB's performance in the state by analyzing the bank's home mortgage lending performance from January 1, 2018, through December 31, 2020. To develop our conclusions, we considered factors within the AAs community profile that would impact the bank's ability to lend within the AA, including demographic and market share information. The Office of Management and Budget (OMB) instituted changes to some MSA delineations that took effect January 1, 2018. The bank's AA was not impacted by the OMB changes, allowing 2018 through 2020 data to be combined for analysis.

For comparative purposes, we considered the demographic percentage of owner-occupied housing units and families in low- and moderate-income geographies, as well as aggregate bank geographic distribution data in the AA for 2018 and 2019, as 2020 aggregate information for home mortgage loans was not available at the time of our evaluation. We also utilized other supporting information while evaluating FMB's CRA performance. Additional supporting information included 2015 ACS census data, 2018 through 2020 bank loan data, internal bank records, deposit market share data, and information from governmental websites regarding the characteristics and economy of the bank's AA. We also considered information from a community contact to help assess the needs of the bank's AA and the opportunities for financial institutions to lend and provide services within that area.

LENDING TEST

The bank's performance under the Lending Test in West Virginia is rated Satisfactory.

Conclusions for Area Receiving a Full-Scope Review

Based on a full-scope review, the bank's performance in the Wood County AA is reasonable.

Distribution of Loans by Income Level of the Geography

FMB exhibits reasonable geographic distribution of home mortgage loans in the AA.

In determining our ratings, we weighed demographic factors of the AA that could affect the bank's ability to lend. These factors include competition from larger institutions, no low-income CTs, area demographics, and the location of the majority of owner-occupied housing. Better lending opportunities exist in upper- and middle-income CTs within the bank's AA. According to the 2015 ACS, those CTs contained 91.6 percent of owner-occupied housing units in the AA. Additionally, 35.0 percent of housing units in moderate-income CTs are renter occupied, while 16.0 percent of housing units are vacant. We also considered the fact that while 86.7 percent of the housing units located in moderate-income CTs are single family homes, this represents a total of only 3,868 housing units.

Home Mortgage Loans

Refer to Table O in the state of West Virginia section of *Appendix D* for the facts and data used to evaluate FMB's geographic distribution of home mortgage loans.

The bank's overall distribution of home mortgage loans among geographies of different income levels throughout the AA is reasonable. FMB originated 4.4 percent of its home mortgage loans in moderate-income CTs. This is below the percentage of the AA's owner-occupied housing units in moderate-income CTs of 8.5 percent, but near the aggregate home mortgage lending of 4.7 percent.

Distribution of Loans by Income Level of the Borrower

FMB exhibits a reasonable distribution of loans to individuals of different income levels, given the product lines offered by the bank and its financial capacity to lend.

In evaluating the borrower distribution of home mortgage loans, we considered the level of competition and its effect on limiting the bank's ability to lend to borrowers of different incomes, as well as the economic conditions in the AA. We also considered the percentage of families that live below the poverty level, and barriers this creates for these families to qualify for home mortgage financing. The AA has 4,781 low-income families, of which 3,056 (63.9 percent) live below poverty. Given the median home value of \$107,576, purchasing and maintaining a home would be difficult for this segment of the population.

Home Mortgage Loans

Refer to Table P in the state of West Virginia section of *Appendix D* for the facts and data used to evaluate FMB's distribution of home mortgage loans to borrowers of different income levels.

The distribution of the bank's home mortgage lending to low- and moderate-income borrowers is reasonable when considering it operates a single branch with a small deposit base in the AA. FMB's proportion of loans to low-income families at 2.9 percent is significantly below the percentage of low-income families at 20.5 percent and is below the aggregate home mortgage lending percentage of 8.6 percent, which is also well below the demographic comparator. The bank's home mortgage lending percentage to moderate-income borrowers of 8.7 percent is also below the percentage of moderate-income families at 17.1 percent and the aggregate lending percentage of 18.2 percent. Our analysis considered that FMB is a conventional-only home mortgage loan lender. As with the Washington, Ohio AA, this puts the bank at a competitive disadvantage due to these loans potentially having more relaxed lending guidelines and payment terms.

According to 2018 and 2019 peer mortgage loan data, 30.0 percent of home mortgage loans to low-income borrowers and 32.6 percent of home mortgage loans to moderate-income borrowers were government-backed loans. This resulted in HMDA reporting financial institutions only originating a total of 362 conventional loans to low-income borrowers and 644 conventional loans to moderate-income borrowers during those two years. With 139 lenders originating loans in the AA, smaller banks with limited capacity have difficulty standing out among their competitors given these limited lending opportunities.

Responses to Complaints

FMB did not receive any complaints pertaining to the Community Reinvestment Act during the evaluation period.

Conclusions for Areas Receiving Limited-Scope Reviews

The Tri-County AA does not contain any low- or moderate-income CTs and the bank's volume of home mortgage loans was not significant enough to allow for meaningful quantitative distribution analysis of loans by income level of the borrower. However, we did note that 88.9 percent of loans made inside the AA were in distressed or underserved middle-income CTs.

Appendix A: Scope of Examination

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 MSAs and non-MSAs 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”.

Time Period Reviewed:	Lending Test: (01/01/18 to 12/31/20)	
Bank Products Reviewed:	Home mortgage loans	
List of Assessment Areas and Type of Examination		
Rating and Assessment Areas	Type of Exam	Other Information
Ohio – Washington AA	Full-Scope	All of Washington County
West Virginia – Wood AA	Full-Scope	All of Wood County
West Virginia – Tri-County AA	Limited-Scope	Tyler, Wetzel and Pleasants Counties

Appendix B: Summary of MMSA and State Ratings

Ratings	First Mutual Bank
Overall Bank:	Lending Test Rating
First Mutual Bank	Satisfactory
State:	
Ohio	Satisfactory
West Virginia	Satisfactory

Appendix C: Definitions and Common Abbreviations

The following terms and abbreviations are used in 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. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending (Aggt.): The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Census Tract (CT): A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

Combined Statistical Area (CSA): A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

Community Development (CD): 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; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, 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, 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-Scope 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), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

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-Scope 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: Individual income that is less than 50 percent of the area median income.

Low Income Geography: A census tract with a median family income that is less than 50 percent.

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 state/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. The median is the point at which half of the families have income above, and half below, a range of incomes. 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, and half below, a range of incomes.

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.

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.

Rating Area: A rated area is a state or multi-state metropolitan statistical 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 statistical area, the institution will receive a rating for the multi-state metropolitan statistical 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 1 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.

Appendix D: Tables of Performance Data

Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30th of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.

Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.

Ohio Lending

Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																			2018-2020	
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	
Washington County	61	11,045	100	1,310	0.0	0.0	0.0	7.2	0.0	6.5	82.7	81.9	82.1	10.1	18.1	11.5	0.0	0.0	0.0	
<i>Source: 2015 ACS Census; 01/01/2018 - 12/31/2020 Bank Data, 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>																				

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																			2018-2020	
Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers			
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	
Washington County	61	11,045	100	1,310	19.6	1.7	5.6	18.2	14.8	19.6	20.4	19.7	22.1	41.8	63.8	38.2	0.0	0.0	14.4	
<i>Source: 2015 ACS Census; 01/01/2018 - 12/31/2020 Bank Data, 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>																				

West Virginia Lending

Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																			2018-2020	
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	
Full Review																				
Wood County	69	11,229	81.1	1,689	0.0	0.0	0.0	8.5	4.4	4.7	67.4	62.3	68.1	24.2	33.3	27.2	0.0	0.0	0.0	
Limited Review																				
Tri-County	18	2,794	19.9	364	0.0	0.0	0.0	0.0	0.0	0.0	100.0	100.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	
Source: 2015 ACS Census; 01/01/2018 - 12/31/2020 Bank Data, 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%																				

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																			2018-2020	
Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers			
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	
Full Review																				
Wood County	69	11,229	81.1	1,689	20.5	2.9	8.6	17.1	8.7	18.2	20.3	18.8	24.4	42.1	69.6	39.3	0.0	0.0	9.5	
Limited Review																				
Tri-County	18	2,794	19.9	364	20.6	0.0	4.1	15.9	5.6	12.4	19.9	0.0	25.8	43.6	94.4	50.5	0.0	0.0	7.1	
Source: 2015 ACS Census; 01/01/2018 - 12/31/2020 Bank Data, 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%																				