First Defiance Financial Corp.

Fourth Quarter and Year-End 2015 Earnings Conference Call

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CORPORATE PARTICIPANTS

Don Hileman – President and CEO

Kevin Thompson – Executive Vice President and Chief Financial Officer

Tera Murphy – Vice President and Marketing Director

PRESENTATION

Operator
Good morning, and welcome to the First Defiance Fourth Quarter and Year-End 2015 Earnings Conference Call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star then one on your touchtone phone. To withdrawal your question, please press star then two. Please note this event is being recorded.

I would now like to turn the conference over to Tera Murphy, Vice President and Marketing Director. Please go ahead.

Tera Murphy
Thank you. Good morning, everyone, and thank you for joining us for today's 2015 Fourth Quarter and Year-End Earnings Conference Call. This call is also being webcast, and the audio replay will be available at the First Defiance website at FDEF.com.

Providing commentary this morning will be Don Hileman, President and CEO of First Defiance and Kevin Thompson, Executive Vice President and Chief Financial Officer. Following their prepared comments on the company's strategy and performance, they will be available to take your questions.

Before we begin, I'd like to remind you that during the conference call today, including during the question and answer period, you may hear forward-looking statements related to future financial results and business operations for First Defiance Financial Corp. Actual results may differ materially from current management forecasts and projections as a result of factors over which the company has no control. Information on these risk factors and additional information on forward-looking statements are included in the news release and in the company's reports on file with the Securities and Exchange Commission.

And now I'll turn the call over to Mr. Hileman for his comments.

Don Hileman
Thank you. Good morning, and welcome to First Defiance Financial Corporation's fourth quarter conference call. Last night we issued our 2015 fourth quarter and full-year earnings release, and now we would like to discuss that release and give some insight into 2016. At the conclusion of our remarks, we will answer any questions you might have. Joining me on the call this morning to give more detail on the financial performance for the quarter and full year is our CFO, Kevin Thompson.

I am very pleased with the momentum developed in the fourth quarter in both our financial performance and in several strategic performance areas. Loan growth was a particularly bright spot during the fourth quarter. Fourth quarter 2015 net income on a GAAP basis was $6.6 million or $0.71 per diluted common share compared to $6.4 million and $0.65 per diluted common share in the fourth quarter of 2014. For the year ended December 31, 2015 First Defiance earned $26.4 million, or $2.82 per diluted common share, compared with $24.3 million or $2.44 per diluted common share for 2014.

We are fortified by the year-over-year and linked quarter loan growth. The trend in both healthy loan growth and in interest growth continued in the fourth quarter. Gross loans at December 31st were up 9.4% over a year ago, which follows a solid third quarter. As we look into 2016, our continued ability to grow our loan portfolio will be a key focus of our strategic plan. We are very satisfied to see loan growth across our footprint, even in the face of strong competitive market pressures, particularly in pricing, as all institutions seem to be more aggressively seeking loan growth.

Total new loans originating in the fourth quarter were put on at a weighted average rate of 4.11% compared to 4.30% in the third quarter of 2015. Overall yield on loans for the fourth quarter of 2015 was 4.34%, down only four basis points from the fourth quarter of 2014. We are very satisfied with our margin considering the flat and very competitive rate environment.

Our core business strategies continued to both grow in net interest income and solid performance of our non-interest income revenues on a quarterly basis. This is reflected in our solid net interest income growth this quarter of 4.8% over the fourth quarter of 2014 and 6.3% year-to-date over 2014. We expect the interest rate environment to be reflective of the continued anticipation of multiple Fed rate increases over the course of 2016. We continue to measure our interest rate risk position and are managing toward a neutral to slightly asset sensitive position. Kevin will give you more color on this in his comments.

Our net interest margin increased to 3.77% over the fourth quarter of 2014 margin of 3.76%. We did see a slight compression of the margin on a linked quarter basis of one basis point, but we are satisfied with our margin trend and will continue to balance pricing disciplined with growth.

Non-interest income generally improved across the board over the fourth quarter of 2014. Mortgage banking saw a 15% improvement over the fourth quarter of '14. We were pleased to see an improving trend in mortgage loan production on a comparative basis with the fourth quarter of '15 showing a 7% increase in loans originated over the fourth quarter of 2014.

We are now up 5% year-over-year in service fees and service charges. The credit quality metrics continued to reflect a trend of improvement year-over-year and on a linked quarter basis. Non-performing assets declined approximately $12.7 million, or 42%, including non-performing loans which decreased approximately $7.9 million or 33%. Approximately 56% of the non-performing loans continue to make payments. We remain committed to working on further reductions in both non-accrual loans and the non-performing asset ratio.

We saw the 30 to 89 day past dues remain below the fourth quarter of 2014 level. We believe the overall asset quality trend will remain positive and reflect in a corresponding loan loss provision effect.

We bought back approximately 79,000 shares of our stock in the fourth quarter. Our buyback activity was impacted by our higher stock valuation during the fourth quarter. We are also delighted to announce a 2016 first quarter dividend of $0.22 per share, representing a 10% increase and an annual dividend yield of approximately 2.4%. We anticipate a continuation of a balance of dividends and stock buyback activity reflecting our strong earnings trend and a focus on our utilization of capital.

I will now ask Kevin to provide additional financial details for the quarter before I conclude with an overview. Kevin?

Kevin Thompson

Thank you, Don. Good morning, everyone. As Don stated, net income for the fourth quarter was $6.6 million or $0.71 per diluted share. This compares to prior year results of $6.4 million or $0.65 in the fourth quarter of 2014.

The fourth quarter this year did not include any significant non-recurring type items, while last year's fourth quarter benefited from a $551,000 or $0.06 per share positive adjustment to the provision for income taxes for the utilization of capital loss carry-forwards. So adjusting for last year's tax benefit, it is clear to see substantial improvement in fourth quarter earnings versus last year with EPS up $0.06 or 9% overall and $0.12 or 20%, adjusting for last year's tax benefit.

We are very pleased with our total performance results and profile for the fourth quarter and the momentum this brings for 2016. Loan and deposit growth were both very strong, enabling us to maintain a very profitable earning asset mix and net interest margin and grow our net interest income. Non-interest revenues continue to reflect steady growth from a year ago, and ongoing credit quality improvement further strengthened our results. Operating expenses reflecting an increase to support our revenue growth remained well controlled, as the generation of positive operating leverage was a key to our earnings improvement.

Looking at the details of the income statement, our net interest income was just under $19 million for the fourth quarter of 2015, up from $18.5 million in the linked quarter and up $866,000 from the $18.1 million in the fourth quarter last year. For the fourth quarter of 2015, our margin was 3.77%, down 1 basis point from last quarter, and up 1 basis point from 3.76% in the fourth quarter last year. Our earning asset mix and margin have remained strong and steady over the course of the year. Growth in loans has enabled us to maintain a healthy earning asset yield as we grow our balance sheet.

Our yield on earning assets was up 3 basis points from the fourth quarter last year and down just 1 basis point on a linked quarter basis. Our cost of interest-bearing liabilities was up 4 basis points from a year ago and 1 basis point on a linked quarter basis. Total new loans originated in the fourth quarter were put on at a weighted average rate of 4.11%, a decrease from 4.30% in the third quarter of 2015, primarily due to a greater portion of floating rate loans this quarter. However, our loan portfolio yield overall was 4.34% in the fourth quarter of 2015, an increase of two basis points on a linked quarter basis.

As Don said, we plan to keep our interest rate risk basically neutral to slightly asset-sensitive in the face of changing rates. We are pleased with our ability to generate floating rate loans this quarter, as we will not trade off higher near term earnings for higher interest rate risk. Instead, we expect our loan growth to keep our earning asset mix and margins strong and our risks well balanced going forward.

Total non-interest income was $7.7 million in the fourth quarter of 2015, down from $8 million in the linked quarter, which included a higher than normal level of SPA/FSA gains, but up 5.3% from $7.3 million in the fourth quarter of 2014. Service fee income on loans and deposits was $2.7 million in the fourth quarter of 2015, a decrease from the $2.8 million in both the linked quarter and the fourth quarter of 2014, mainly due to lower NSF fee levels.

Insurance revenue was nearly $2.3 million in the fourth quarter of 2015, up from $2.2 million in the fourth quarter of 2014, and trust income, while a smaller component of revenue, was $367,000 in the fourth quarter of 2015, up from $345,000 in the fourth quarter last year.

Regarding mortgage banking revenues, for the fourth quarter of 2015 they totaled $1.5 million, down seasonally $215,000 from the linked quarter, but up $195,000 from the fourth quarter of 2014. Fourth quarter mortgage banking originations were $56.3 million, compared to $68.2 million last quarter and $43.8 million in the fourth quarter of 2014. Gain on sale income was $836,000 in the fourth quarter of 2015 compared to $1.2 million in the linked quarter and $734,000 in the fourth quarter last year.

In addition, the quarter included a positive valuation adjustment to mortgage servicing rights of $75,000 compared to positive adjustments of $24,000 last quarter and $11,000 in the fourth quarter of 2014. At December 31, 2015, First Defiance had $1.3 billion in loan service for others. The mortgage servicing rights associated with those loans had a fair value of $9.2 million or 72 basis points of the outstanding loan balance's service.

Total impairment reserves which are available for recapture in future periods totaled $645,000 at year-end.

As for the non-interest expense, fourth quarter expenses totaled $17.3 million, up from $16.8 million in the linked quarter and $17 million for the fourth quarter of 2014. The increase was primarily in compensation and benefits expense which in the fourth quarter of 2015 was up $798,000 from last year mainly due to higher incentive compensation costs, merit increases, and new staff to expand and support our growth strategies.

Our other non-interest expense was $3.3 million in the fourth quarter of 2015, down from $3.8 million in the same quarter last year, mainly due to reductions in OREO costs and management consulting. Regarding provision expense, the fourth quarter of 2015 totaled $43,000 compared to a credit provision of $27,000 last quarter and $162,000 provision expense in the fourth quarter last year.

The fourth quarter of 2015 included net recoveries of 3 basis points compared with net charge offs of 3 basis points last quarter and net recoveries of 1 basis point in the fourth quarter a year ago.

Our allowance for loan loss at December 31, 2015 was $25.4 million, or 1.41% of total loans, versus $24.8 million or 1.50% at December 31st last year. The change in the allowance ratio reflects the credit quality improvements achieved during the past year such that the allowance coverage of non-performing loans has increased to 156% at year-end, up from 103% at December 31, 2014. We expect the allowance to loans percentage to continue to reflect strengthening asset quality.

As for the asset quality numbers, non-performing loans decreased slightly this quarter to $16.3 million from $16.6 million on a linked quarter basis and was down 32.6% from $24.1 million at December 31, 2014. Our OREO balance decreased significantly this quarter to $1.3 million from $4.9 million last quarter and from $6.2 million in the fourth quarter last year. Overall non-performing assets ended the year at $17.6 million or 0.77% of total assets, down from $30.3 million or 1.39% of total assets at December 31, 2014. We again had a nice decrease in our troubled debt restructured loans this quarter which fell to $11.2 million at year-end, down from $13.8 million last quarter and $24.7 million last year-end.

Moving to the balance sheet, total assets were $2.3 billion at December 31, 2015, up $69.4 million from last quarter-end, and up $118.7 million or 5.4% from last year-end. Gross loan balances increased $68.7 million during the quarter and finished 2015 up $155.4 million or 9.4% year-over-year. Securities decreased $3 million from a year ago, while cash and equivalents declined to $33.2 million. Our loan growth this past quarter was exceptional, and our loan growth outlook remains very positive.

Total deposits of $1.84 billion at year-end reflect an increase of $75.3 million from a year ago and were up $43.1 million on a linked quarter basis. Non-interest bearing deposits have increased to $420.7 million at December 31, 2015 from $379.6 million at December 31, 2014. We were very pleased to see our deposit growth pick up in the fourth quarter, and continued growth in our low cost deposit base will be a high priority for us going forward.

Looking at our capital position, total period-end stockholder's equity finished December 31, 2015 at $280.2 million, up from $279.5 million at December 31, 2014. During the quarter we repurchased approximately 79,000 shares, leaving approximately 95,000 shares remaining under our current repurchase authorization. Our capital position remains strong, with year-end shareholders' equity to assets of 12.27%, although down from 12.77% last year-end.

The bank's total risk based capital ratio is approximately 13% at year-end December 31, 2015. Our healthy capital position continues to support our growth strategies, as well as enhance shareholder value through share repurchases and dividends. As Don mentioned, we announced a 10% increase to our quarterly dividend, raising it to $0.22.

Finally, regarding our record full year results for 2015, net income was $26.4 million or $2.82 per diluted share versus $24.3 million or $2.44 per diluted share for the year 2014. That's an EPS increase of $0.38 per share or 15.6% despite prior year's results benefiting from several non-recurring type items, which totaled approximately $0.18 per share.

We are very pleased with our 2015 performance, growth, and momentum that we are carrying into the new year.

That completes my financial review, and now I'll turn the call back over to Don.

Don Hileman
Thank you, Kevin. I'm very pleased with the results in 2015 and the significant progress we have made to position First Defiance for 2016. Our focus on several key areas believed important to improve financial performance and drive greater shareholder value as we continue to build the momentum gained this year, these areas include core balance sheet growth with a focus on loan growth and deposit growth, overall revenue growth, expense control, and improved asset quality. We look to make steady process in all of these areas in 2016.

We do believe improvements in loan demand, aided by further improvement in the economic environment will carry through 2016. We look to grow our position in the metro markets of Fort Wayne, Indiana; Toledo and Columbus, Ohio. We are seeing strong activities in these areas. As I mentioned last quarter, some additional expense was added in the quarter, and we expect some degree of additional expense in '16 as we build lenders and support structure for this growth.

The size of our current pipeline reflects confidence in our continued ability to build our loans outstanding coming off a strong fourth quarter with outstandings growing $68 million or 16%. We do not anticipate growth maintaining that pace in 2016, but do believe a growth rate in the high single digits is appropriate. While the lending environment remains very competitive, we feel we can accomplish loan growth without making significant concessions in rates and other terms through a strong process of relationship building and quality client-focused service.

We understand it will be challenging to drive growth in the loans and maintain yield management until markets move higher. We are very focused on relationship management pricing and believe our delivery and service model is effective. We continually look to enhance our electronic and mobile capabilities, giving our customers more choices on how they bank with us and responding to their requests, unveiled during our research.

We are pleased with the increases in activity in both electronic and mobile transactions, including online account opening, mobile deposits, electronic payments, and the use of mobile wallet features. The digital delivery environment is changing at an accelerated pace, and we are committed to providing our clients a quality choice of products and services like Apple Pay and other digital wallet alternatives.

As part of our commitment to supporting our customers' increasing preferences of the digital channel for banking and access to financial resources, we recently launched our new website. This will improve our user experience on mobile and tablet devices with fully responsive design, improved ease of navigation, and improved access to financial resources. These enhancements will also improve our ability to track new customers.

We will continue to focus on growth in our insurance and wealth management revenues as part of our strategic plan. We acquired a small insurance operation in our Lima, Ohio market this year and look to broaden our insurance agency footprint further in 2016. It is important to reflect on 2015 as a very good year for our company and the progress made toward achieving our strategic goals. We were particularly pleased by the significant improvement in credit quality, reflected by lower charge offs and overall lower non-performing assets.

We are very encouraged by the recent performance and look to consistently drive our performance through initiatives that will help us obtain our goal of being a consistently high performing community bank. We look to accomplish this through a balanced approached and a long-term focus on shareholder value. We understand that success requires focus and successful execution. We remain confident in our strategy and in the people we have dedicated to executing it.

We feel that the performance of the organization reflects on our focus of shareholder value at the same time our commitment to be a strong community partner in the areas we serve. An example of this is our commitment to our Pay It Forward initiative. Each of our employees are provided a sum of money to use to pay it forward by helping individuals, organizations, or causes that will make a difference in our communities. The employees choose how they make a difference.

We remain strongly committed to our customers and shareholders, and we appreciate the trust you have placed in us as we work to make First Defiance a bank to be proud of. Thank you for your interest in First Defiance Financial Corporation, and we thank you for joining us this morning.

We will now be glad to answer your questions.

QUESTIONS AND ANSWERS

Operator
To ask a question you may press star then one on your touchtone phone. If you're using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star then two. At this time, we will pause momentarily to assemble our roster.

The first question is from Damon DelMonte at KBW.

Damon DelMonte
Hi. Good morning, guys. How are you doing?

Don Hileman
Good morning, David

Kevin Thompson
Good. Good morning.

Damon DelMonte
Good morning. So, my first question just relates to the expenses. You alluded to the fact that you're continuing to build out in some of your higher growth markets and if you look at quarter-over-quarter, operating expenses were $17.4 million, call it, which is up from, call it, $16.9 million the previous

quarter. Should we look out to ‘16 and get a quarterly run rate that’s in the $17.5 million to $18 million range? Is that fair?

Kevin Thompson
Well, I think that might be a little strong, but we would expect our expenses to increase some in 2016 as we continue to build out, as Don alluded to. Eighteen million, I think, would be on the high end though, Damon.

Damon DelMonte
Okay. Alright. But it’s a little bit of a lift, though, from where we were this quarter, but maybe not as high as $18 million.

Kevin Thompson
Correct.

Damon DelMonte
Okay. Fair enough. And then in the non-interest income categories, the other category this quarter, was there anything unusual in there? That seemed to be a little bit higher than what we were looking for.

Kevin Thompson
I’m sorry.

Don Hileman
The other income.

Kevin Thompson
The other income.

Damon DelMonte
Other income, yes.

Kevin Thompson
It was nothing, it was a small amount of OREO gains, maybe about $100,000 or so. There wasn’t anything too singular that really jumped out, Damon. It was just some odds and ends, so to speak.

Damon DelMonte
Okay. So as we look forward into 2016, I know first quarter you tend to have the benefit of the insurance commission line item.

Kevin Thompson
Right.

Damon DelMonte
But absent that, is something in the high $7 million range reasonable?

Kevin Thompson
I would say.

Damon DelMonte
Okay.

Kevin Thompson
Yes.

Damon DelMonte
Alright. And then just quickly, on loan growth, and I noticed this quarter construction loans were a large driver of this quarter's results. Could you talk a little bit about some of those credits that you added, maybe the size of them or the types of projects and what the expectation is for ongoing growth in the construction segment?

Don Hileman
There were a couple large construction projects with current clients that we've had long relationships with initiated in the quarter, and I would expect we would definitely level off and not expect the same kind of growth going forward in that area. The benefit, part of it was, as Kevin talked about interest rate risk, a good chunk of that construction was put on a variable rate. That'll help us a little bit when we position for interest rate risk, but I would not expect the same growth rate going forward at all.

Damon DelMonte
Okay. I'll hop out for now. Thank you very much.

Don Hileman
Okay.

Operator
As a reminder, to ask a question you may press star then one on your touchtone phone.

The next question is from Daniel Cardenas at Raymond James.

Daniel Cardenas
Hi. Good morning, guys.

Kevin Thompson
Good morning, Dan.

Don Hileman
Good morning, Dan.

Daniel Cardenas
Just a quick question on funding your forward-looking loan growth. I'm looking at your securities to assets and you're a little bit under 11% right now. How much further can you shrink that number and continue to fund fairly robust loan growth?

Kevin Thompson
Yes, probably not much more, Dan, to be honest with you. I think we would expect the loan to asset ratio to stay below 80%, but probably up in the high 70%. So, right about where it is.

Daniel Cardenas
Okay. Alright, great. And then maybe in terms of deposit competition, are you seeing any increase in competitive factors on the deposit side?

Don Hileman

Dan, we really haven't. Since the Fed move we thought we might, but we haven't really seen anything at all significant in our marketplace related to raise in deposit rates.

Daniel Cardenas
Regardless of the market, whether it sits Toledo or Columbus or Fort Wayne?

Don Hileman
Well, I can speak more to—we probably did see a little bit more in Columbus, but that's not where we're really attracting deposits. But in our deposit gathering markets, that is pretty much across the board, and in our footprint we have not seen a material change in interest rates, and we've not moved accordingly.

Daniel Cardenas
Okay. And then maybe some color on the M&A environment. How is that looking for you guys right now? Are you beginning to see the level of discussion pick up or is it what we saw coming into Q4?

Don Hileman
I don't know if I've seen a lot of increase from what we saw in the beginning of Q4, but I think, clearly what I'm hearing is, the expectation is a lot greater in '16. And I think there appear to be a lot more conversations and opportunities going forward, but I don't know if I've seen it any greater now than I did in the first part of the fourth quarter.

Daniel Cardenas
Okay. But it sounds like seller expectations, maybe, have increased a bit.

Don Hileman
I think there is more realization on the seller's part that now might be a good opportunity.

Daniel Cardenas
Okay. Excellent. Alright, great, I'll step back for now. Thank you, guys.

Don Hileman
Okay.

Operator
Once again, to ask a question you may press star then one on your touchtone phone.

We have a follow-up question from Damon DelMonte at KBW.

Damon DelMonte
Hi. Thanks. I figured I'd jump back in. Just a quick question on the margin outlook, you held it pretty steady this quarter. Are you factoring in additional rate increases by the Fed in your outlook for 2016?

Kevin Thompson
We do. Our expectation is pretty consistent, probably, with the overall market expectation right now that the Fed will probably move up around 100 basis points. Our plans and our outlook and forecast are all working with that kind of outlook. We expect that, obviously, that's going to at some point kick into affecting the pricing, but we believe that our margin—with our neutral position pretty much to interest rate risk, we think we can maintain a strong margin.

I would say that in the near term, though, that we probably might feel more downward pressure or some challenge, if you will, and we're preparing for that. There may be a little more uncertainty in the market from that standpoint, so we're not overly expecting to benefit from the rise in rates. We think we've got our balance sheet in a slightly asset sensitive position, but with maybe some of the uncertainty in terms of disintermediation of deposits and overall market reaction to the changes in rates, we're thinking more that that's going to be a challenge. So we're trying to prepare all of our outlook toward that and making sure that we're managing the company to anticipate more of a headwind than a benefit.

Damon DelMonte
Okay. And then the variable rate loans that you put on this past quarter, what are some of those characteristics? Are they like tied to LIBOR or to the short end of the curve or are they three-year fixed and then they become floating?

Kevin Thompson
Yes. The bulk of it is either 30-day LIBOR or prime.

Damon DelMonte
Okay, great. Thank you very much.

Kevin Thompson
Yes.

Operator
Our next question is from Daniel Cardenas at Raymond James.

Daniel Cardenas
Hi, guys. Just a quick follow-up. As you talked about your buyback program, it sounds like you could sweep that up fairly quickly if you so decided. Would you guys consider authorizing an additional share repurchase program once this one is done?

Don Hileman
Yes, I think that's something our board would consider as we look forward in the quarter here. As I said, we're going to look to balance our capital, and I think we were consistent and agree with you that we can probably sweep the rest of that up here in the quarter and would probably look to have the discussion with the board about another authorization.

Kevin Thompson
We've completed now two 5% repurchase, or nearly completed the second one, so we've made some significant impact from what we've done. Obviously, our growth profile is picking up which we're excited about, and obviously, we've increased our dividend. The M&A environment is maybe heating up, so, we want to have a good discussion with the board in terms of our capital strategies going forward, but certainly reauthorizing a buyback is one of those considerations.

Daniel Cardenas
Okay. Good. And just a quick question, a follow-up question on loan competition, is it primarily pricing that you're seeing the pressures or are you beginning to see some structural weakness in competitors' lending?

Don Hileman
I'd say now both are factors, Dan. Earlier on it was more of the price only, but when we look at some of the bigger deals it's more of both, probably a blend of a very aggressive price and some loosening of terms on some deals. Things like less requirement for guarantees of individual investors and things like

that.

Daniel Cardenas
Okay, and is that from the bigger financial institutions or similar sized companies and smaller companies?

Don Hileman
No, it's across the board. I think it's almost on a deal-by-deal basis. If somebody is attracted to one particular deal, they price and structure it to try to be very competitive with that. So I'm really not sure I see a pattern, to tell you the truth, Dan. I wish I would, that'd be easier for us to figure out how to compete, but it seems to be a hit or miss and across the board the large regionals and community banks our size.

Daniel Cardenas
Alright. Thanks, guys. Good quarter.

Don Hileman
Thank you.

Kevin Thompson
Thanks.

Don Hileman
Appreciate it.

Operator
As a reminder, to ask a question you may press star then one on your touchtone phone.

Our next question is from Eric Grubelich, a private investor.

Eric Grubelich
Hi. Good morning. Just to follow up on the loan trends, could you give us an idea of some of the construction in the commercial real estate that you booked this quarter, what that looked like size-wise, in terms of the credits?

Don Hileman
There's a couple $15 million credits in there. We've tried to cap; our lending limit is a lot higher, but we've moderated where we feel comfortable on a size. And it's the $15 million to $20 million range. And there was one apartment complex in the Columbus market that was one of those credits, a long time relationship, and another was a similar type of project on an apartment complex.

Eric Grubelich
Okay. That's great. Thank you.

Don Hileman
Thanks, Eric.

Operator
At this time, we show no further questions. I would like to turn the conference back over to Tera Murphy for closing remarks.

CONCLUSION

Tera Murphy
Thank you for joining us today as we discussed our quarterly and year-end results. We appreciate your time and interest in First Defiance Financial Corp. Have a great day.

Operator
The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.