



PUBLIC DISCLOSURE

September 28, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Blanchester
Charter No. 8588**

**121 East Main Street
Blanchester, Ohio 45107**

Office of the Comptroller of the Currency

**Central District Office
One Financial Place, Suite 2700
Chicago, Illinois 60605**

NOTE: 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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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **The First National Bank of Blanchester** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of September 28, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

OVERALL CONCLUSIONS

Institution's CRA Rating: This institution is rated **SATISFACTORY**.

The First National Bank of Blanchester (FNB) exhibits a satisfactory performance record. This rating is supported by:

- FNB is responsive to its community's credit needs as a substantial majority of the home mortgage, small business, and small farm loans originated between July 1, 1995 and August 31, 1998 were within the bank's assessment area (AA). Ninety percent of the home mortgage loan sample was inside the bank's assessment area.
- The analysis of borrower income levels reflects a reasonable distribution among all income levels. Fifty-six percent of the home mortgage loan sample was made to low- and moderate-income borrowers.
- Of the small business and farm loans sampled, 83% were made to businesses and farms with annual gross revenues less than \$100,000.

DESCRIPTION OF INSTITUTION

The First National Bank of Blanchester is a \$41 million financial institution which is wholly-owned by First Blanchester Bancshares, Inc., a one bank holding company. The bank has one office which has a drive-up facility. The bank does not have an automatic teller machine (ATM). The bank is located in Block Numbering Area (BNA) 9949, a middle-income geography.

FNB's primary business focus is lending to individuals (residential real estate and small consumer loans). FNB expanded its home mortgage loan program in 1997 and now offers home mortgage loans with a loan to value up to 95%. Both adjustable and fixed rate mortgages are offered. In 1998, the bank increased its indirect automobile lending activities with a local dealership. They have made approximately \$1 million in installment loans with this dealer since the beginning of the year. The bank's commercial and agriculture loan portfolios consist of loans to local small businesses and farms. Blanchester is a bedroom community of Cincinnati and Wilmington, and local commercial lending opportunities are limited. FNB's gross loans have remained relatively stable over the past year. At June 30, 1998, the loan portfolio consisted of the following loan types, as reported in the Consolidated Report of Condition:

	VOLUME	% OF GROSS LOANS
Residential Real Estate	\$4,993,000	39%
Commercial Real Estate	\$421,000	3%
Secured by Farmland	\$440,000	3%
Commercial Loans	\$1,306,000	10%
Individual Loans	\$5,516,000	43%
Agricultural Loans	\$188,000	1%
Other Loans	\$6,000	<1%
Total Loans	\$12,870,000	100%

There are no financial or legal impediments that affect the bank's ability to help meet the credit needs of its AA. FNB's CRA rating as of September 28, 1995 was "Satisfactory Record of Meeting Community Credit Needs."

DESCRIPTION OF ASSESSMENT AREA

The bank's AA consists of three BNAs in Clinton County and one census tract in Warren County. Warren County is part of Cincinnati's Primary Metropolitan Statistical Area (PMSA 1640). BNAs 9948, 9949, and 9950 (Clinton County AA) include the villages of Blanchester, Midland, Clarksville, and Martinsville. Census Tract 324 (Warren County AA) includes the villages of Pleasant Plain and Butlerville. The bank's entire AA is comprised of middle-income geographies. There are 5,548 housing units in the bank's AA. Seventy-two percent of the housing units in the

BNAs and 84% of the housing units in the census tract are owner occupied. The bank's AA has a population of 15,393. The AA meets the requirements of the regulation and does not arbitrarily exclude low-income or moderate-income geographies.

	Type of Geography	Total Population	% of Population	Total Housing Units	% Owner Occupied Units
BNA 9948	Middle-Income	3,686	24%	1,389	78%
BNA 9949	Middle-Income	4,893	32%	1,829	66%
BNA 9950	Middle-Income	3,546	23%	1,239	75%
CT 324	Middle-Income	3,268	21%	1,091	84%

The U.S. Census 1990 median family incomes are \$36,658 and \$30,563 for the Cincinnati PMSA and the non-metropolitan areas of Ohio, respectively. The Department of Housing and Urban Development's (HUD) estimate of the 1998 median family incomes for the Cincinnati PMSA and non-metropolitan areas of Ohio are \$51,500 and \$40,500, respectively. The distribution of families among income categories is as follows, based upon the 1990 Census median family incomes:

Income as a % of Median Family Income	Low-Income Families	Moderate-Income Families	Middle-Income Families	Upper-Income Families
BNAs: 9948, 9949, 9950	575	621	954	1327
	17%	18%	27%	38%
PMSA 1640: CT 324	147	196	207	358
	16%	22%	23%	39%

The area's economy is stable. The unemployment rate for Clinton County is low at 2.7% for September 1998, among the lowest in the state. The major employers in the community are the Blanchester School System and American Showa. Many residents commute to Cincinnati or Wilmington to work. Competition is provided by one building and loan company and a branch of a larger financial institution.

To ascertain the credit needs of the community, we interviewed a local mayor. The credit needs of the assessment area are primarily for consumer purposes (residential and installment loans). According to our contact, the local financial institutions are meeting these needs. The community contact did not identify any unmet credit needs in the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Lending in Assessment Area

A substantial majority of FNB’s loans are for the benefit of residents of the assessment area.

We sampled thirty home mortgage, six small business, and eight small farm loans originated from July 1, 1995 to August 31, 1998 to determine the percentage of lending within the bank’s AA. For each loan type, we sampled at least 30% of the outstanding portfolio balances as of June 30, 1998.

The following table shows the number and dollar percentage of our sample of home mortgage, small business, and small farm loans made inside the bank’s AA. The table indicates that a substantial majority of the loans are made inside the bank’s AA. Ninety percent of home mortgage loans, 100% of small business, and 75% of small farm loans were within the bank’s AA. The small farm loans that were outside the bank’s AA were less than 20 miles from the bank and they were very close to the AA border line. The three mortgage loans that were outside the bank’s AA were also near the AA border line. All of these loans were made to regular customers of the bank.

Lending In Assessment Area				
Loan Category	#	%	\$	%
Home Mortgage	27	90%	\$1,496,600	83%
Small Business	6	100%	\$669,737	100%
Small Farm	6	75%	\$214,000	81%
Total	39	89%	\$2,380,337	87%

The following tables represent the volume of loans made in the bank’s AA broken down by BNA (Clinton County AA) and PMSA (Warren County AA) for each of our samples.

Home Mortgage Lending				
	#	%	\$	%
Clinton County	25	83%	\$1,375,600	76%
Warren County	2	7%	\$121,000	7%
Total	27	90%	\$1,496,600	83%

Small Business Lending				
	#	%	\$	%

Small Business Lending				
Clinton County	5	83%	395,000	59%
Warren County	1	17%	274,737	41%
Total	6	100%	669,737	100%

Small Farm Lending				
	#	%	\$	%
Clinton County	4	50%	26,000	10%
Warren County	2	25%	188,000	71%
Total	6	75%	214,000	81%

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The analysis of borrower income levels reflects, given the demographics of the assessment area, reasonable distribution among all income levels (including low- and moderate-income). The analysis of business and farm loans indicates a willingness to lend to small businesses and small farms.

The following table shows a reasonable penetration of the distribution of home mortgage loans among borrowers of different income levels within the AA for both the Clinton County AA (BNAs) and the Warren County AA (PMSA 1640). The sample included 30 home mortgage loans that originated between July 1, 1995 and August 31, 1998, with 27 of them within the bank's AA. Our review indicated that the bank made 56% of their home mortgage loans to low- and moderate-income borrowers in the Clinton County AA and 50% in the Warren County AA. This penetration to low- and moderate-income borrowers is strong, given that only 35% of the individuals in the Clinton County AA and 38% in the Warren County AA are low- and moderate-income borrowers.

Distribution of Home Mortgage Loans Among Individuals - Clinton County AA								
	Low Income		Moderate Income		Middle Income		Upper Income	
	#	\$	#	\$	#	\$	#	\$
Clinton County	16%	9%	40%	42%	32%	36%	12%	13%
AA	17%		18%		27%		38%	

Distribution of Home Mortgage Loans Among Individuals - Warren County AA								
	Low Income		Moderate Income		Middle Income		Upper Income	
	#	\$	#	\$	#	\$	#	\$
Warren County			50%	42%	50%	58%		
AA	16%		22%		23%		39%	

We sampled six small business and eight small farm loans originated between July 1, 1995 and August 31, 1998 within the AA. The following table is the distribution among different sizes of businesses and farms. This table illustrates that 83% of the sampled loans were made to small businesses and farms with gross revenues less than \$100,000 for both the Clinton County AA and Warren County AA combined. The distribution represents reasonable penetration among businesses and farms of different sizes given the demographics of the area.

Distribution of Small Business Loans and Small Farm Loans				
Revenue (in \$000's)	#	%	\$	%
<100	10	83%	\$498,737	56%
100-250	2	17%	\$385,000	44%
250-1,000	0	0%	\$0	0%

The following tables represent the volume of loans made in the bank's AA to businesses and farms of different sizes broken down by the Clinton County AA (BNAs) and Warren County AA (PMSA 1640). The sample revealed that 89% of the loans in the Clinton County AA were made to businesses and farms with revenues less than \$100,000. Sixty-seven percent of our sample in the Warren County AA was to businesses and farms with gross revenues less than \$100,000. Both samples represent reasonable penetration among businesses and farms of different sizes.

Distribution of Small Business Loans and Small Farm Loans - Clinton County AA				
Revenue (in \$000's)	#	%	\$	%
<100	8	89%	\$221,000	52%
100-250	1	11%	\$200,000	48%
250-1,000	0	0%	\$0	0%

Distribution of Small Business Loans and Small Farm Loans - Warren County				
Revenue (in \$000's)	#	%	\$	%
<100	2	67%	\$277,737	60%
100-250	1	33%	\$185,000	40%
250-1,000	0	0%	\$0	0%

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

The following tables represent our sample of the distribution of home mortgage, small business, and small farm loans within the bank's AA. The three BNAs in Clinton County and one census tract in Warren County are all in middle-income geographies. The bank's only office is located in BNA 9949 and they make a majority of their loans in this BNA. Therefore, the bank makes the majority of their loans to borrowers located in middle-income geographies since both the Clinton County AA and Warren County AA are both middle-income. This distribution is consistent with the demographic make up of the AA. Our sample revealed reasonable dispersion throughout the AA and that loans were made in all BNAs.

Geographic Distribution of Loans				
	Middle- Income Clinton County AA		Middle-Income Warren County AA	
Type of Loan	#	\$	#	\$
Home Mortgage	25	\$1,375,600	2	\$121,000
	100%	100%	100%	100%
Small Business	5	\$395,000	1	\$274,737
	100%	100%	100%	100%
Small Farm	4	\$26,000	2	\$188,000
	100%	100%	100%	100%
COMBINED TOTAL	100%	100%	100%	100%

Geographic Distribution of Loans by Individual Geographies						
	Assessment Area		Assessment Area		Population	Percent of Population
	#	%	\$	%		
9948	2	5%	88,000	4%	3,686	24%
9949	22	56%	1,233,400	52%	4,893	32%
9950	10	26%	475,200	20%	3,546	23%
324	5	13%	583,737	24%	3,268	21%
TOTAL	39 loans		\$2,380,337		15,393	100%

Loan-to-Deposit Ratio

The loan-to-deposit ratio is less than reasonable given the bank's size, financial condition, and assessment area credit needs.

The bank's average loan-to-deposit ratio since the last CRA examination was 34%. The ratio has ranged from a low of 32% to a high of 36% at June 30, 1998. Ohio financial institutions with total assets of \$50 million or less had an average loan-to-deposit ratio of 70% as of June 30, 1998. There are no financial institutions of comparable size serving the same area. Based upon the performance evaluations of the other financial institutions in the AA, the loan-to-deposit ratios ranged from 59% to 82% with total assets ranging from \$8 million to \$484 million.

The ratio is improving and the credit needs of the community are being met by a combination of all the financial institutions in the AA. The bank is now requiring lower down payments on its residential real estate mortgage products. The home mortgage loan program in 1997 was expanded to include a mortgage product allowing a loan-to-value up to 95%.

Responses to Complaints

The bank has not received any complaints from the public regarding its performance in meeting the credit needs of the AA.

Other Considerations

No violations of the substantive provisions of the anti-discrimination laws and regulations were identified.