



PUBLIC DISCLOSURE

September 26, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Bellevue
Charter Number 2302

120 North Street
Bellevue, OH 44811

Office of the Comptroller of the Currency

200 Public Square Suite 1610
Cleveland, OH 44114-2301

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory

The major factors supporting this rating are:

- The bank's loan-to-deposit (LTD) ratio exceeds the standards for satisfactory performance, and reflects a strong record of lending.
- A majority of the loans that the bank originated during the evaluation period were within its assessment area (AA).
- The bank's distribution of residential mortgage loans and business loans reflects reasonable penetration to borrowers of different income levels and reflects reasonable penetration to businesses of different sizes.

SCOPE OF EXAMINATION

This Community Reinvestment Act (CRA) Performance Evaluation covers the period from April 25, 2011, through June 30, 2016. In conducting our review, we used small bank CRA examination procedures and Home Mortgage Disclosure Act (HMDA) data for 2014 and 2015. Our analysis of lending to businesses is based on a sample of 40 loans that the bank originated during the evaluation period. The bank's primary loan products are home purchase, home refinance, and business loans. We tested the integrity of the bank's HMDA data prior to this review, and found it to be reliable. Finally, we considered information from members of the local community to better assess community needs, and opportunities for financial institutions to lend and provide services within the bank's AA.

DESCRIPTION OF INSTITUTION

First National Bank of Bellevue (FNBB) is a full-service community bank headquartered in Bellevue, Ohio that services portions of Erie, Huron, Ottawa, Sandusky, and Seneca Counties. The bank is a wholly-owned subsidiary of First Bancshares Inc., a one-bank holding company that also operates an affiliate, First Bellevue Properties Inc., which holds the bank's "other real estate owned" properties.

FNBB's primary loan product is residential real estate loans, but its business strategy is to offer customers a range of loan products including home mortgage, consumer, commercial, agricultural, and municipal loans in addition to checking, savings, and time deposit accounts. As of June 30, 2016, the bank reported \$200 million in total assets and \$149 million in total loans. The current loan portfolio is comprised of real estate loans (76.9 percent), commercial and industrial loans (19.7 percent), individual loans (1.7 percent), and agricultural loans (1.7 percent). FNBB operates six branches within its AA, with ATMs at each location. All branches are full-service except the Put-In-Bay office. The Clyde office moved from a temporary structure to its permanent location on November 24, 2015. The bank did not close any branches during the evaluation period.

There are no legal or financial impediments limiting FNBB’s ability to meet the credit needs of its AA. The bank was rated Satisfactory at the last performance evaluation, dated April 25, 2011.

DESCRIPTION OF ASSESSMENT AREA

FNBB has one AA consisting of 57 census tracts in Erie, Huron, Ottawa, Sandusky, and the eastern portion of Seneca Counties. In January 2014, the Office of Management and Budget made changes to Metropolitan Statistical Areas (MSAs) that impacted FNBB’s AA. Prior to the changes, FNBB’s AA included census tracts in MSAs for Ottawa and Erie counties. Because of the changes, all of the census tracts in the AA are classified as non-MSA tracts, which allows the two years of bank data for all of the census tracts in the AA to be combined for this analysis. The AA meets the requirements of the regulation, as it consists of contiguous geographies and does not arbitrarily exclude any low- or moderate-income areas.

Table 1 shows demographic information for the AA, based on the 2010 U. S. census. The AA does not contain any low-income census tracts. It consists of three moderate-income tracts, thirty-seven middle-income tracts, and seventeen upper-income tracts.

Table 1 - Demographic Information for the Assessment Area					
Demographic Characteristics	#	Low Income	Moderate Income	Middle Income	Upper Income
Geographies (Census Tracts)	57	0.00%	5.26%	64.91%	29.82%
Population by Geography	227,029	0.00%	4.64%	66.02%	29.34%
Family Distribution by Geography	63,758	0.00%	4.01%	65.22%	30.77%
Owner-Occupied Housing Units by Geography	69,058	0.00%	3.27%	64.99%	31.74%
Businesses by Geography	13,347	0.00%	6.33%	61.07%	32.60%
Farms by Geography	1,326	0.00%	0.90%	65.99%	31.11%
Distribution of Families by Income Level Throughout AA	92,032	0.00%	5.17%	65.63%	29.21%
Businesses by Revenue Level	Revenue < = 1 Million	Revenue > 1 Million		Revenue not Reported	
Farm	97.89%	1.13%		0.98%	
Non-Farm	76.14%	5.20%		18.66%	
HUD Adjusted Median (ADM) Family Income	\$58,761	Unemployment Rate: June 2016			
Low Income (below 50% of ADM)	\$0 - \$29,375	United States		4.9%	
Moderate Income (50 to 79.99% of ADM)	\$29,376 - \$47,003	Ohio		4.9%	
Middle Income (80% to 119.99% of ADM)	\$47,004 - \$70,507	Erie County		4.6%	
Upper Income (120% and above ADM)	\$71,508 - Above	Huron County		5.6%	
Households Below the Poverty Level	10,974 [11.92%]	Ottawa County		5.0%	
Median Housing Value	\$134,264	Sandusky County		4.1%	
		Seneca County		4.7%	
Housing Information:	93,887	Percent Owner-Occupied Units		62.04%	
1-4 Family Units	8871	Percent Rental-Occupied Units		20.64%	
Multi-Family Units		Percent Vacant Housing Units		17.32%	

(*) The NA category consists of geographies that have not been assigned an income classification.

Sources: 2010 US Census and 2015 Federal Financial Institutions Examination Council (FFIEC) updated MFI.

The local economy within the AA improved during the evaluation period, following the most recent recession. Unemployment rates for the counties in the AA have improved, and are below both state and national averages. According to the Bureau of Labor Statistics, the seasonally unadjusted annual unemployment rate in the AA at the beginning of 2014 averaged 9.64 percent, and improved to 4.8 percent by June 2016. In comparison, the national and Ohio seasonally unadjusted unemployment rates for June 2016 were both 4.9 percent.

The leading industries in the AA include manufacturing, local governments, and general medical and hospitals. Major employers include Whirlpool, Revere Plastics, Inc., Kraft Heinz, MTD Products, RR Donnelly, Norwalk Custom Furniture, Pepperidge Farms, Automotive Components, Kyklos Bearing International, Mercy Hospital, and Ameriwood Industries.

Competition from other financial institutions and mortgage companies in the AA is moderate. According to the June 30, 2015, FDIC-Insured Institutions Deposit Market Share Report, there are 23 FDIC-insured institutions operating 111 offices in the AA. FNBB is ranked tenth in terms of market share for deposits in the AA, holding approximately 3.59 percent of total deposits.

According to the 2010 U.S. Census, there are 111,310 housing units in FNBB's AA, and 17.32 percent are vacant. Owner-occupied housing and rental units represent 62.04 and 20.64 percent of total housing units, respectively.

During our assessment of the bank's performance, we considered information from a community organization, in order to obtain an understanding of the AA's needs and credit opportunities. Members of the organization indicated that the housing market in the AA is strong, and that it is a "seller's market". They also indicated that employers have a number of good jobs with benefits available. However, they are having trouble filling positions. Finally, they indicated that the area's needs included additional first-time buyer educational classes and down payment assistance.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

FNBB's overall CRA performance during the evaluation period was Satisfactory. Our analysis is based on all home mortgage loans and a sample of business loans originated by the bank within its AA during the evaluation period. In drawing our overall conclusions, we focused on the bank's LTD ratio, lending within the AA, and distribution of loans to borrowers of different income levels. Less weight was placed on the bank's geographic distribution of loans, due to the lack of low-income census tracts and limited number of moderate-income census tracts in the AA. FNBB's LTD ratio is reasonable given the bank's size, financial condition, and AA credit needs, the bank originated a substantial majority of its loans inside of its AA, and its distribution of loans reflects reasonable penetration among individuals of different income levels and businesses of different sizes.

Loan-to-Deposit Ratio

FNBB's LTD ratio is reasonable and meets the standard for satisfactory performance.

We evaluated FNBB's quarterly LTD ratio for the periods between June 30, 2011, and June 30, 2016. The bank's average LTD ratio during this period was 73.47 percent, with quarterly ratios ranging from 63.61 percent to 87.45 percent. We also compared FNBB's LTD ratio to ten peer banks and thrifts with assets between \$47 million and \$616 million located in counties within or in close proximity to FNBB. FNBB's performance was similar to the peer banks, as their average LTD ratios averaged between 33.44 percent to 96.84 percent.

Lending in Assessment Area

FNBB's record of lending within its AA meets the standard for outstanding performance. The bank originated a substantial majority of its loans during the evaluation period inside its AA. Approximately 90 percent of the number and 84 percent of the dollar amount the bank's loans originated during the evaluation period were located within the bank's AA.

Table 2 details FNBB's aggregate lending in its AA by both number of loan originated and dollar amount of loans originated during the evaluation period.

Table 2 - Lending in FNBB's Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	86	87.76	12	12.24	98	10,134	85.57	1,709	14.43	11,843
Home Improvement	1	100.0	0	0.00	1	23	100.0	0	0.00	23
Home Refinance	91	91.00	9	9.00	100	14,291	90.44	1,513	9.56	15,804
Business	36	90.00	4	10.00	40	6,218	71.67	2,458	28.33	8,676
Totals	214	89.53	25	10.46	239	30666	84.37	5,680	15.63	36346

Sources: Data reported under HMDA & small business sample.

Lending to Borrowers of Different Incomes

FNBB's distribution of loans to borrowers of different income levels and businesses of different sizes is reasonable, and meets the standard for satisfactory performance.

Table 3 shows FNBB's distribution of HMDA reportable loans originated during the evaluation period and within the bank's AA, based on borrower income. The table also shows the percentage of families in each income category in the AA during the evaluation period.

Borrower Income Level / Loan Type	Low		Moderate		Middle		Upper	
	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase	5.62	5.81	14.61	8.14	19.66	22.09	60.11	63.95
Home Improvement	5.62	0.00	14.61	100.00	19.66	0.00	60.11	0.00
Home Refinance	5.62	5.49	14.61	19.78	19.66	17.58	60.11	57.14

Sources: FNBB 2014 and 2015 HMDA Data; 2010 census data

The percentages of home purchase loans that FNBB originated to borrowers of different income levels during the evaluation period are consistent with the percentage of AA families in each income category, with the exception of loans to moderate-income borrowers, which was slightly below the percentage of moderate-income families in the AA. The percentages of home refinance loans to borrowers of different income levels are similar to the percentage of AA families in each income category. The percentages of home improvement loans to borrowers of different income levels is not relevant, since the bank only made one home improvement loan during the assessment period.

Table 4 shows FNBB's distribution of business loans (by both number and dollar amount) originated during the evaluation period and within the bank's AA, based on each business's revenue. The table also shows the percentage of businesses in each revenue category in the AA during the evaluation period.

Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	97.89	1.13	0.98	100.00
% of FNBB Loans in AA by #	97.22	2.78	0.00	100.00
% of FNBB Loans in AA by \$	77.48	22.52	0.00	100.00

Source: Small business loan sample.

In performing our review, we selected a sample of forty business loans originated by FNBB during 2014 and 2015, and performed a data integrity test to determine the accuracy of the information in the loan files. The census tract that each business is located in was determined using the FFEIC Geocoding/Mapping System, and we reviewed loan presentations and available tax returns to determine the revenue of each business. Using this data, we determined that the bank made a majority (measured by both number and dollar amount) of business loans within its AA to businesses with less than one million dollars in annual revenue.

Geographic Distribution of Loans

FNBB's geographic distribution of loans is reasonable overall, and meets the standard for satisfactory performance. While the bank's distribution of residential real estate loans is weak, its distribution of business loans reflects a reasonable dispersion throughout the AA. In our assessment of FNBB's overall CRA performance, we placed less weight on

the bank’s geographic distribution of loans because there are no low-income census tracts and only three moderate-income tracts in its AA. The remaining census tracts consist of 37 middle-income and 17 upper-income tracts. Due to the lack of low-income tracts and limited number of moderate-income tracts, a meaningful analysis of loans made in the AA based on geographic distribution is of limited value.

Table 5 shows the bank’s geographic distribution of HMDA-reportable loans made during the evaluation period within the bank’s AA. The table also shows the percentage of owner-occupied housing units during the evaluation period.

Table 5 - Geographic Distribution of Residential Real Estate Loans								
Census Tract Income Level / Loan type	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of # of Loans						
Home Purchases	0.00	0.00	3.27	1.16	64.99	47.67	31.74	51.16
Home Improvement	0.00	0.00	3.27	0.00	64.99	0.00	31.74	100.00
Home Refinance	0.00	0.00	3.27	0.00	64.99	43.96	31.74	56.04

Sources: Data reported under HMDA; 2010 U.S. Census data.

Table 6 shows the bank’s overall geographic distribution of business loans made during the evaluation period within the bank’s AA. The table also shows the percentage of businesses in each census tract of each income level during the evaluation period.

Table 6 - Geographic Distribution of Loans to Businesses								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of # of Loans						
	0.00	0.00	6.33	15.00	61.07	55.00	32.60	30.00

Sources: Small Business Sample

Responses to Complaints

FNBB has not received any written complaints related to CRA performance during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank’s (bank) or Federal Savings Association’s (FSA) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank’s or FSA lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.