



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

April 05, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Blanchester
Charter Number 8588**

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

**Comptroller of the Currency
Central Ohio
4555 Lake Forest Drive, Suite 610
Cincinnati, Ohio 45242**

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.

GENERAL INFORMATION

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The First National Bank of Blanchester (FNB) has a **SATISFACTORY** record of meeting community credit needs.

- The bank's current loan-to-deposit ratio as of December 31, 2003, is reasonable.
- This institution meets or exceeds the requirements for satisfactory performance for all applicable performance criteria.
- The distribution of loans reflects, given the demographics of the assessment area (AA), excellent penetration among borrowers of different income levels (including low- and moderate-income). The bank makes a majority of their loans to low- and moderate-income borrowers. Forty percent of the residential real estate loans in our 2003 sample were made to low- and moderate-income borrowers, which is substantially more than the 29% of low- and moderate-income families in the AA. Eighty percent of the consumer loans in our 2003 sample were made to low- and moderate-income borrowers, which is substantially more than the 32% of low- and moderate-income households in the AA.
- FNB is responsive to its community's credit needs as a majority of the loans in our sample were made inside the bank's AA. Over 80% of the loans in our sample were inside the AA.
- The geographic distribution of loans reflects reasonable dispersion throughout the AA. All of the geographies in the AA are middle-income.

DESCRIPTION OF INSTITUTION

FNB is a \$49 million financial institution, which is wholly owned by First Blanchester Bancshares, Inc., a one-bank holding company located in Blanchester, Ohio. The bank has one office with a drive-up facility located in Blanchester, and does not have an automatic teller machine (ATM). The bank is located in Census Tract 9949, a middle-income geography.

FNB's primary business focus is lending to individuals (residential real estate and small consumer loans). It offers standard products and services throughout the AA. Competition consists mainly of one local branch of a larger financial institution and several local community banks in surrounding cities.

Currently, no legal or economic impediments exist that could restrict the institution's ability to

serve the community's credit needs. FNB's CRA rating as of September 28, 1998, was "Satisfactory Record of Meeting Community Credit Needs."

FNB reported total assets of \$49 million and gross loans of \$22 million as of the December 31, 2003 Consolidated Report of Condition (Call Report). Net loans to total assets were 44.81% as of December 31, 2003. The primary loan products are loans for one-to-four family residential housing purposes (76% of gross loans) and loans to individuals (16% of gross loans). Blanchester is a bedroom community of Cincinnati and Wilmington, and local commercial lending opportunities are limited. The table below reflects the bank's total loan mix as of December 31, 2003.

Loan Portfolio Mix As of December 31, 2003		
Loan Type	Dollar Volume (in 000's)	Percent of Gross Loans
One-to-four Family Residential Real Estate Loans	\$16,654	76%
Loans to Individuals	\$ 3,577	16%
Commercial and Commercial Real Estate Loans	\$ 1,061	5%
Loans secured by farmland	\$ 544	2%
Other Loans – credit cards and other revolving credit plans	\$ 157	1%
TOTAL GROSS LOANS	\$21,993	100%

Source: December 31, 2003 Consolidated Report of Condition and Uniform Bank Performance Report

DESCRIPTION OF ASSESSMENT AREA

The bank currently has two AAs. The major, primary AA consists of three census tracts in Clinton County. The second AA contains one census tract in Warren County that is contiguous to Clinton County. Warren County is part of the Cincinnati Primary Metropolitan Statistical Area (PMSA 1640). Census tracts 9948, 9949, and 9950 (Non-MSA AA) include the villages of Blanchester, Midland, Clarksville, and Martinsville, Ohio. Census Tract 324 (MSA AA) includes the villages of Pleasant Plain and Butlerville, Ohio. The bank does not have a branch located in the MSA AA. For analytical purposes, we combined the two AAs because the one census tract in Warren County is adjacent to the non-MSA portion and does not extend substantially beyond the non-MSA boundaries. Management selected these AAs based on the bank's desired lending territory.

The bank's entire AA is comprised of middle-income geographies. Based on the 2000 Census Data, the AAs contain a population of approximately 17,282 people. Of the non-MSA AA's 5,387 housing units, approximately 72% are owner-occupied and have a median housing value of \$92,385. Of the MSA AA's 1,306 housing units, about 87% are owner-occupied and have a median housing value of \$140,600. The AAs meet the requirements of the regulation and do not arbitrarily exclude low- or moderate-income geographies.

According to the 2000 census information, the Ohio non-MSA median family income is \$44,739. The Department of Housing and Urban Development's (HUD) estimate of the Ohio statewide

non-MSA median family income was \$50,600 for 2003, \$48,700 for 2002 and \$46,500 for 2001. According to the 2000 census information, the median family income is \$54,690 for the Cincinnati PMSA. The 2003 HUD estimated median family income for the Cincinnati PMSA is \$63,000.

The economic status of families and geographies are categorized as low-, moderate-, middle-, and upper-income groups using the following definitions. Low-income means an individual income or a geography that is less than 50% of the Ohio statewide non-MSA or MSA updated median family income. Moderate-income means an individual income or a geography that is at least 50% and less than 80% of the Ohio statewide non-MSA or MSA updated median family income. Middle-income means an individual income or a geography that is at least 80% and less than 120% of the Ohio statewide non-MSA or MSA updated median family income. Upper-income means an individual income or a geography that is 120% or more than the Ohio statewide non-MSA or MSA updated median family income.

The distribution of families and households among income categories in the bank's AAs is as follows based upon the 2000 and 1990 Census median family incomes.

INCOME AS A PERCENTAGE OF MEDIAN FAMILY INCOME				
2000 CENSUS DATA				
	Low-Income Families	Moderate- Income Families	Middle-Income Families	Upper-Income Families
Non-MSA Assessment Area	537	599	1,000	1,720
	13.93%	15.53%	25.93%	44.61%
MSA Assessment Area	142	179	314	417
	13.50%	17.01%	29.85%	39.64%

Source: 2000 U.S. Census Data

INCOME AS A PERCENTAGE OF MEDIAN FAMILY INCOME				
1990 CENSUS DATA				
	Low-Income Families	Moderate- Income Families	Middle-Income Families	Upper-Income Families
Non-MSA Assessment Area	575	621	955	1,326
	16.54%	17.86%	27.46%	38.14%
MSA Assessment Area	147	196	207	358
	16.19%	21.58%	22.80%	39.43%

Source: 1990 U.S. Census Data

INCOME AS A PERCENTAGE OF MEDIAN HOUSEHOLD INCOME 2000 CENSUS DATA				
	Low-Income Households	Moderate- Income Households	Middle-Income Households	Upper-Income Households
Non-MSA Assessment Area	903	721	1,053	2,327
	18.05%	14.41%	21.04%	46.50%
MSA Assessment Area	163	162	279	648
	13.02%	12.94%	22.28%	51.76%

Source: 2000 U.S. Census Data

INCOME AS A PERCENTAGE OF HOUSEHOLD FAMILY INCOME 1990 CENSUS DATA				
	Low-Income Households	Moderate- Income Households	Middle-Income Households	Upper-Income Households
Non-MSA Assessment Area	867	627	890	1,887
	20.30%	14.68%	20.84%	44.18%
MSA Assessment Area	189	161	200	490
	18.17%	15.48%	19.23%	47.12%

Source: 1990 U.S. Census Data

The overall economic condition of the AAs is stable. The AAs are primarily rural with manufacturing as the major industry. The largest employers in the bank's AAs include American Showa and the Blanchester School System. Many residents commute to Cincinnati or Wilmington to work. The unemployment rate for Clinton County was 4.6% as of December 2003, which compares favorably to state and national unemployment rates of 5.5% and 5.4%, respectively. FNB had approximately 8.60% of Clinton County's market share of total deposits as of June 30, 2003.

A community contact interview revealed that the economic condition of Clinton County is stable. The contact identified residential real estate loans (purchase, refinance, and home improvement/repair) and individual consumer loans as the primary credit needs of the AA. According to the contact, these types of loans are available from all area financial institutions.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

The bank's performance of residential real estate and consumer lending is considered foremost in this CRA examination. These are the bank's primary lending products.

Loan samples were taken from loans originated in 2003 (using the 2000 U. S. Census Data) and loans originated from October 1, 1998 to December 31, 2002 (using the 1990 U. S. Census Data). To evaluate the level of residential real estate lending, we took a random sample of 20 residential real estate refinance loans for both time periods. To evaluate the level of consumer lending, we took a random sample of 20 loans from each time period. We used these files first to perform the analysis of Lending in the Assessment Area. Then to perform the Borrower Distribution analysis, we disregarded any of the loans in the sample not originated in the AA. Next, additional loans within the AA originated primarily in 2003, and the two prior years were then added to the sample.

Loan-to-Deposit Ratio

FNB's loan-to-deposit (LTD) ratio of 51.49% as of December 31, 2003 is reasonable. The average LTD ratio over the last 21 quarters since the last CRA examination (December 31, 1998 to December 31, 2003) of 44.96% is reasonable in light of the past two years being over 50%. For analysis purposes, FNB's current and 21-quarter average LTD ratios were compared with a custom peer group consisting of three banks of similar size and purpose (total assets less than \$100 million) competing within the same AA. The analysis shows that FNB's LTD ratios were lower than the peer group's current range of 78% to 81% and below the average range of 70% as of December 31, 2003. FNB's LTD ratio was also compared to a peer group consisting of Ohio financial institutions with total assets less than \$100 million. This peer group's average LTD ratio as of December 31, 2003 was 75%. The bank's LTD ratios were less than both peer groups; however the LTD ratios have been over 50% for the past two years.

In January 2002, FNB purchased loans from a local bank, which improved their LTD ratio. Since then, the bank's LTD ratio has been over 50%, with a high of 58% as of June 30, 2002. Given these circumstances, the bank's LTD ratio is determined to be reasonable and meets the requirements for satisfactory performance.

Lending in Assessment Area

The bank's record of lending within the AA is reasonable and supports satisfactory performance. The bank's primary loan types consist of residential real estate and consumer loans. We sampled forty loans from each of the following loan types: residential real estate refinance loans and consumer loans. These loans were originated since the last CRA examination conducted in 1998 through December 31, 2003. Table 1 details the bank's lending within the AA by number and dollar volume. These tables indicate that a majority of the loans are made inside the bank's AA.

Table 1 - Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (in 000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
1-4 Family Refinance Loans	33	82.5%	7	17.5%	40	1,827	83.1%	373	16.9%	2,200
Consumer Loans	32	80.0%	8	20.0%	40	233	78.2%	65	21.8%	298
Totals	65	81.2%	15	18.8%	80	2,060	82.5%	438	17.5%	2,498

Source: Loan Sample

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

The distribution of residential real estate and consumer lending reflects excellent penetration among individuals of different incomes including low- and moderate-income borrowers and supports overall outstanding performance.

The analysis below demonstrates that the bank makes a majority of their residential real estate refinance loans to low- and moderate-income borrowers. FNB made 40% of the number of loans in our 2003 residential real estate refinance loan sample to low- and moderate-income borrowers, which is substantially more than the 29% of low- and moderate-income families in the AA. They also made 25% of the number of loans in our 1998-2002 residential real estate refinance loan sample to low- and moderate-income borrowers, which is reasonable when compared with the 34% of low- and moderate-income families in the AA. Refer to Tables 2 and 2A below and on the following page for specific details on loans made to low- and moderate-income borrowers.

The consumer loan sample revealed excellent penetration among low- and moderate-income borrowers. FNB made 80% of the number of loans in our 2003-consumer sample to low- and moderate-income borrowers, while only 32% of the households are classified as low- and moderate-income in the AA. FNB made 65% of the number of loans in our 1998-2002-consumer sample to low- and moderate-income borrowers, while only 35% of the households are classified as low- and moderate-income in the AA. Refer to Tables 3 and 3A on the following page for specific details on loans made to low- and moderate-income borrowers.

Our sample represented an excellent responsiveness to lending to low- and moderate-income borrowers.

Table 2 - Borrower Distribution of Residential Refinance Real Estate Loans in the AA 2003 Loan Sample								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Refinance Loans	13.93%	15%	15.53%	25%	25.93%	45%	44.61%	15%

Source: Loan Sample; 2000 U.S. Census Data

Table 2A - Borrower Distribution of Residential Refinance Real Estate Loans in the AA 1998 - 2002 Loan Sample								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Refinance Loans	16.54%	5%	17.86%	20%	27.46%	35%	38.14%	40%

Source: Loan Sample; 1990 U. S. Census Data

Table 3 - Borrower Distribution of Consumer Loans in the AA 2003 Loan Sample								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	18.05%	50%	14.41%	30%	21.04%	10%	46.50%	10%

Source: Loan Sample; 2000 U. S. Census Data

Table 3A - Borrower Distribution of Consumer Loans in the AA 1998 – 2002 Loan Sample								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	20.30%	45%	14.68%	20%	20.84%	20%	44.18%	15%

Source: Loan Sample; 1990 U. S. Census Data

Geographic Distribution of Loans

All of the geographies in the bank's AA are middle-income geographies. Our samples revealed reasonable dispersion throughout the entire AA as loans were made in all geographies in the bank's AA.

Responses to Complaints

The bank has not received any complaints about its CRA performance during the review period.

Fair Lending or Other Illegal Credit Practices Review

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