



SMALL BANK

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

PUBLIC DISCLOSURE

July 22, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Bellevue
Charter Number 2302**

**120 North Street
Bellevue, OH 44811**

**Comptroller of the Currency
ADC-Northern Ohio
3 Summit Park Drive Summit Office Park, Suite 530
Independence, OH 44131**

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 FNBB's rating include:

- A reasonable net loan-to-deposit ratio.
- The bank's record of lending within its assessment area exceeds the standard for satisfactory performance.
- A reasonable level of home mortgage lending to borrowers of different income levels
- A good level of lending to businesses of different sizes
- The bank's geographic distribution of loans exceeds the standards for satisfactory performance
- No consumer complaints have been filed regarding the bank's performance under the Community Reinvestment Act.

DESCRIPTION OF INSTITUTION

First National Bank of Bellevue [FNBB] is a wholly owned subsidiary of First Bancshares Inc., a one-bank holding company. As of March 31, 2003, First Bancshares Inc had \$103 million in total assets. The bank's main office is located in Bellevue, Ohio. The bank operates the main office and five full-service branches in Port Clinton, Catawba, Put-In-Bay, Sandusky and Vermilion. The bank has drive-through facilities and ATM's are offered at most branches. The exception is Put-In-Bay where the ATM is located off-site of the branch. The bank's focus is retail banking and offers standard products and services at each location.

There are 5 additional ATM's at other locations throughout the assessment area. Two are located in hotels [one each in Put-In-Bay and Sandusky], with the remaining ones scattered throughout Bellevue [Bellevue Hospital, Hogue's IGA, and the Fuel Mart Store]. Ten additional cash dispensing ATM's are located at other Fuel Mart locations throughout northwest and northeast Ohio. These were purchased from a third-party vendor who provides the maintenance on these machines.

As of March 31, 2003 FNBB had \$102 million in total assets. Loans represent 55% of the bank's total assets. The distribution of FNBB's loan portfolio is as follows: real estate loans (77%), commercial & industrial loans (12%), and loans to individuals(6%). The remaining 5% is comprised of multiple other loan categories. The bank's real estate loan mix consists primarily of commercial real estate (50%) and 1-4 family residential (27%).

The evaluation period for this public evaluation is November 20, 1998 through March 31, 2003.

The bank's most recent CRA Public Evaluation was dated November 18, 1998. Its performance at that time was rated "Satisfactory".

There are no current financial or legal impediments that could prevent the bank from meeting its community credit responsibilities.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

The bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

FNBB's assessment area consists of Huron, Sandusky, Ottawa, Seneca and Erie Counties which are contiguous in nature. The bank has chosen to include the entire county where each branch is located along with whole census tracts that comprise each county. The AA consists of 71 census tracts: 3 (4%) moderate-income, 47 (66%) middle-income, and 21 (30%) upper-income tracts. There are no low-income census tracts in the assessment area. None of the bank's assessment area is located in a metropolitan statistical area.

The Department of Housing and Urban Development [HUD] updated median family income for the assessment area for the year 2002 is \$48,700. The 1990 Census Bureau lists the assessment area population at 294,744 persons comprising 80,970 families. Of these families, 14% are low-income, 17% are moderate-income, 24% are middle-income and 45% are upper-income. Twenty-nine per cent of the household income in the AA is derived from social security. Households with income below the poverty level are 9% with 5% of the households relying on public assistance. Owner-occupied housing units comprise 64% of the assessment area. The housing units are primarily one-to-four family with a median housing value of \$61,224.

As of June 2003 the unemployment rates for the assessment area fluctuate widely. According to the State of Ohio Bureau of Labor Market Information, the unadjusted unemployment rate for June 2003 was 6.5%. Unemployment rates for the counties of Erie, Huron, Ottawa, Sandusky, and Seneca are: 4.9%; 8.7%; 6.9%; 7.8% and 7.8% respectively. Although four of the five counties have higher unemployment rates for the same period, it has not affected the bank's opportunities to make loans. Over the length of the evaluation period, unemployment trends have remained relatively the same with only slight fluctuations.

The local economy is stable and influenced by employers involved in light and heavy manufacturing, agriculture and service industries. The current composition of industries within the AA includes international ownership, international trade (Import/Export), national trade, Inter/Intra-state trade, agri-business, tourism and financial institutions. Major employers include Cedar Point, Sandusky Hospital, Davis-Besse Nuclear Power Station, Brush Wellman, US Gypsum, Siligan Plastics, Guardian Industries, Macgruder Hospital, Scandura and Masoectech Forming Technologies. Tourism predominates along the Lake Erie shoreline of all counties within the assessment area.

We determined the community's credit needs by contacting representatives from a local housing

and community service agency and an economic development organization. Information regarding community credit needs was also obtained from the bank.

We identified the following credit and non-credit needs in this AA:

-- Affordable housing (i.e. single family rental, multifamily rental, ownership and rehabilitation) for low- and moderate-income individuals. First-time homeowners, credit counseling and budget guidance were also identified needs.

-- Affordable home improvement and rehabilitation loans for low- and moderate-income individuals. This issue was noted given that the current housing stock is old with an average build year of 1960.

-- Small business working capital loans to existing and start-up businesses in amounts of \$100 thousand or less. Technical assistance to new and existing small businesses was also identified as a need, specifically to upgrade telecommunication and information technology systems.

Financial institutions located within the bank's AA include local community banks and branches of regional and large national institutions along with a credit union. FNBB's major competitors within its AA include Keybank NA (12%), Citizens Banking Company (11%), National City Bank (10%), Fifth-Third Bank (9%), Croghan Colonial Bank (8%), and Home Savings & Loan (7%). FNBB holds approximately 3% of the deposit market share within its AA.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's net loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the AA credit needs.

FNBB's loan-to-deposit ratio (LTD) as of March 31, 2003 was 64.17% and its average LTD over the previous 18 quarters was 66.46%. This ratio has shown an increase from 62.49% 4Q98 to 64.17% at 1Q03.

For analysis purposes, FNBB's current and 18-quarter average LTD ratios were compared with a peer group consisting of banks of various sizes and similar purpose competing within the state of Ohio. The analysis shows FNBB's LTD ratios are similar the peer group's 1Q03 LTD ratio of 64.19% but lower than the 18-quarter average of 74%. Several factors were at work to explain the lower ratios. The rate environment of the past several years has had customers switch from adjustable rate mortgages (ARMs) to fixed mortgages which are subsequently sold to Federal National Mortgage Association (FNMA) while servicing rights are retained. In addition, some customers were lost to aggressive pricing by local competition during 2002 which the bank chose not to match to maintain its underwriting standards.

Lending in Assessment Area

FNBB's record of lending within its AA exceeds the standards for satisfactory performance. A substantial majority of the loans originated by the bank were located within its AA. Our conclusions are based on a sample of 20 loans per product type originated by the bank during the evaluation period. The following table details the bank's lending within the AA by number of loan originations and dollar volume during the evaluation period.

Loans Originated within the Assessment Area								
	Inside AA				Outside AA			
	#	%	\$	%	#	%	\$	%
Home Mortgage	19	95.00	2008	94.27	1	5.00	122	5.73
Commercial	18	90.00	12366	77.21	2	10.00	3650	22.79
Total	37	92.50	14374	79.21	3	7.50	3772	21.79

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

Overall lending to borrowers of different income levels and to businesses of different sizes is satisfactory and reflects reasonable penetration. Based on portfolio distribution, we placed greater weight on the bank's commercial lending performance. The table below details the bank's lending to borrower's of different income levels by number of loan originations and dollar volume during the evaluation period.

The bank's distribution of residential real estate lending reflects reasonable penetration among individuals of different income levels including low- and moderate-income borrowers. Since FNBB is not a HMDA-reporter, our conclusions are based on a sample of 27 residential real estate loans originated by the bank during the previous 54-month period. FNBB does not distinguish between home mortgage products by class code or file system. As a result, this category may contain a combination of home purchase, home improvement and home refinance loans. Affordable home mortgage lending was also an identified credit need of the community.

Distribution of Lending by Borrower Income Level					
	Home Mortgage Loans				Percentage of Families in AA
	# of loans	% of loans	\$ of loans	% of loans	
Low	1	3.57	109	4.47	14.41
Moderate	7	25.00	403	16.53	16.76
Middle	7	25.00	544	22.31	23.91
Upper	13	46.43	1382	56.69	44.92

Lending to businesses of different sizes was good. In order to determine the bank's performance of lending to businesses of different sizes, we selected a sample of twenty-four loans originated by the bank during the previous 54-month period. Seventeen of the loans were made to businesses with gross annual revenues of less than \$1 million. This represents 71% of the loans in the sample. Census data for businesses in the AA that reported revenue indicated that 80% of those businesses had gross annual revenues less than or equal to \$1 million. In addition, 13% (3 loans) of the small business loans were in amounts under \$100 thousand, which was noted as an identified credit need of the community.

Geographic Distribution of Loans

The bank's geographic distribution of home mortgage loans exceeds the standards for satisfactory performance. We analyzed a sample of 28 home purchase/refinance loans. The bank's distribution of home-purchase/refinance loans exceeds the distribution of owner-occupied housing in both moderate- and middle-income census tracts.

Geographic Distribution of Lending					
	Home Mortgage Loans				Percentage of Owner-Occupied Housing in AA
	# of loans	% of loans	\$ of loans	% of loans	
Low	NA	NA	NA	NA	NA
Moderate	4	14.29	251	10.30	3.34
Middle	20	71.42	1614	66.20	64.15
Upper	4	14.29	573	23.50	32.51

The bank's geographic distribution of small business loans exceeds satisfactory performance. In analyzing a sample of 24 small business loans, the geographic distribution of small business loans exceeded the distribution of small businesses in the moderate-income census tracts.

Geographic Distribution of Lending					
	Small Business Loans				Percentage of Small Businesses in AA
	# of loans	% of loans	\$ of loans	% of loans	
Low	NA	NA	NA	NA	NA
Moderate	3	14.29	3,393	19.97	5.49
Middle	17	71.42	10,735	63.17	63.88
Upper	4	14.29	2,865	16.86	30.63

Responses to Complaints

No complaints have been received relating to the bank's CRA performance either at the bank or with the OCC Customer Assistance Group.

Fair Lending or Other Illegal Credit Practices Review

An analysis of public comments and consumer complaint information regarding the bank's CRA performance was undertaken according to the OCC's risk-based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year.