



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

April 25, 2011

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

Northern Ohio Field Office
200 Public Square, Suite 1610
Cleveland, OH 44114

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 the bank's rating include:

- The bank's loan-to-deposit ratio is reasonable and meets the standards for satisfactory performance.
- A substantial majority of lending activity has occurred inside the bank's Assessment Areas and exceeds the standard for satisfactory performance.
- The distribution of home mortgage loans to borrowers of different incomes reflects reasonable penetration and meets the standards for satisfactory performance.
- The distribution of business loans to businesses of different sizes reflects reasonable penetration and meets the standards for satisfactory performance.

SCOPE OF EXAMINATION

The evaluation time period is July 22, 2003 (the date of the previous evaluation) through April 25, 2011. We analyzed home mortgage and business loan activity from January 1, 2008 through December 31, 2010. All home mortgage data was considered in our analysis. Analysis of business activity is based on an initial sample of 129 business loans. Using bank-generated loan origination reports for the evaluation period, we determined that the bank's primary loan products are home purchase, home refinance, and business loans. These products are representative of the bank's business strategy since the last examination.

First National Bank of Bellevue (FNBB) has three assessment areas (AAs) for evaluation purposes. The primary AA consists of Huron County, Sandusky County, and the easternmost portion of Seneca County, which are not located within a Metropolitan Statistical Area (MSA). We selected this area for a full-scope review, as it contains the bank's main headquarters, the largest portion of its AA, and a majority of its lending activity.

The bank's second AA includes 16 census tracts in Erie County and its branch in the city of Sandusky. These tracts comprise a portion of the Sandusky, Ohio MSA. We assessed the bank's performance in this AA using limited-scope procedures, as only a small portion of the bank's operations and lending stem from this area.

The bank's third AA includes eight census tracts in Ottawa County and its branches in Port Clinton and Put-In-Bay. These tracts comprise a portion of the Toledo, Ohio MSA. We assessed the bank's performance in this AA using limited-scope procedures, as only a small portion of the bank's operations and lending stem from this area.

Information from members of the local community was also considered in our analysis. We contacted two community organizations involved in affordable housing and economic development initiatives to determine the community's credit and non-credit needs. Refer to the Description of Assessment Area section of this document for additional details.

DESCRIPTION OF INSTITUTION

FNBB is a full service community bank headquartered in Bellevue, Ohio that services Erie, Huron, Ottawa, Sandusky and Seneca Counties. As of December 31, 2010, the bank reported total assets of \$122 million. The bank is a wholly-owned subsidiary of First Bancshares Inc, a one-bank holding company. The holding company also operates an affiliate, First Bellevue Properties Inc., which holds the bank's other real estate owned (OREO) properties.

FNBB's business strategy is to offer its 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 December 31, 2010, the bank's loan portfolio was comprised of real estate loans (80%), commercial and industrial loans (15 percent), loans to individuals (3 percent), and agricultural loans (2 percent). The real estate portfolio is comprised of commercial real estate (61 percent), home mortgage loans (34 percent), and agricultural loans (5 percent).

FNBB operates five branches within its AAs. All are full-service branches except for the Put-In-Bay, Ohio office. A second Sandusky branch was opened in August 2004 and subsequently closed in September 2008. An office in Vermilion, OH was closed in June 2004. Closures occurred when a decline in business at each location resulted in the branch no longer being economically viable. Neither closure occurred in a low- or moderate-income census tract.

There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs of the communities it serves. The previous CRA examination dated July 22, 2003 resulted in a rating of "Satisfactory".

DESCRIPTION OF ASSESSMENT AREA

FNBB’s primary assessment area is described below:

Demographic Information for the Bellevue AA					
Demographic Characteristics	#	Low Income	Moderate Income	Middle Income	Upper Income
Geographies (Census Tracts)	31	0.00%	0.00%	80.65%	19.35%
Population by Income Level of Geography	133,935	0.00%	0.00%	82.55%	17.45%
Family Distribution by Income Level of Geography	36,786	0.00%	0.00%	81.56%	18.44%
Owner-Occupied Housing Units by Income Level of Geography	53,708	0.00%	0.00%	80.39%	19.61%
Businesses by Income Level of Geography	6,897	0.00%	0.00%	83.33%	16.67%
Farms by Income Level of Geography	894	0.00%	0.00%	69.35%	30.65%
Distribution of Families by Income Level Throughout AA	36,786	14.05%	18.52%	24.20%	43.24%
Businesses by Revenue Level					
Farm	Revenue < = 1 Million	Revenue > 1 Million		Revenue not Reported	
Non-Farm	97.43%	1.01%	1.57%		
	75.80%	4.44%	19.76%		
HUD Adjusted Median (ADM) Family Income 2009 Non-MSA	= \$53,700	Unemployment Rate: Dec 2010		= 9.1%	
Low Income (below 50% of ADM)	= \$0 - \$26,845	United States		= 9.3%	
Moderate Income (50 to 79.99% of ADM)	= \$26,846 - \$42,955	Ohio		= 13.5%	
Middle Income (80% to 119.99% of ADM)	= \$42,956 - \$64,435	Huron County		= 9.9%	
Upper Income (120% and above ADM)	= \$64,436 - Above	Sandusky County		= 10.2%	
Households Below the Poverty Level	= 3,947 [7.81%]	Seneca County			

Sources: 2000 U.S. Census; US Department of Labor; Dun and Bradstreet 2010.

FNBB’s primary AA is comprised of thirty-one census tracts in Huron and Sandusky Counties, and the easternmost portion of Seneca County. These three counties are not within an MSA. This AA is consistent with the requirements of the regulation. FNBB operates its main headquarters within this AA, and the AA accounts for 43 percent of the bank’s deposits as well as 59 percent of the bank’s loans.

COUNTY	MAJOR EMPLOYERS
Huron	MTD Products, RR Donnelly, Norwalk Custom Furniture, Berry Plastics, Pepperidge Farm
Sandusky	HJ Heinz, Atlas Industries, Whirlpool, Bellevue Hospital, Sandusky County Government
Seneca	Mercy Hospital, Ameriwood Industries, Tiffin Development Center, National Machinery Company, Roppe Rubber Company

Sources: *Huron, Sandusky, and Seneca County Economic Development websites.*

There are 14 financial institutions serving the AA, according to a June 30, 2010 Federal Deposit Insurance Corporation (FDIC) deposit market share report. These include four interstate banks, two regional banks, and eight community banks operating a total of 29 offices. The number of financial institutions in the AA provides a competitive banking environment. FNBB ranked sixth, with approximately seven percent of the insured deposit market.

Local economic conditions for the AA have weakened during the evaluation period. This includes the continued loss of manufacturing jobs, fewer new businesses moving in to compensate for this loss, and uncertainty regarding continued employment in existing industries. The unadjusted unemployment rates at December 2010 for Huron, Sandusky, and Seneca Counties were 13.9 percent, 9.9 percent, and 10.2 percent, respectively. These unemployment rates are well above the State of Ohio unadjusted unemployment rate of 9.3 percent.

We determined the community’s credit needs by reviewing information received from the bank, the OCC, and members of the community. We contacted representatives from an affordable housing organization and an economic development organization, and conducted discussions with bank management. Credit and non-credit needs of the community include:

- Funding for downtown revitalization programs to provide low-interest loans for leasehold or on-site improvements.
- Consumer credit counseling for foreclosure prevention and budgeting guidance.
- Workout assistance to homeowners already facing foreclosure.
- Assistance for an economic development corporation, by performing financial reviews for its revolving loan fund clients.
- Financial assistance to community action agencies whose funding is reduced due to grant reductions and state budget cuts.
- First time homeowner down payment assistance for low-and moderate-income households.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's overall lending performance is Satisfactory. This conclusion is based primarily on performance within the Bellevue full-scope AA, as this is where the bank made a majority of its loans. 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. There are no low- or moderate-income census tracts in this AA.

See the sections entitled **Limited-Scope Assessment Area Review** for information on the bank's borrower & geographic distribution performance in limited-scope AAs.

Loan-to-Deposit Ratio

The bank's net loan-to-deposit ratio is reasonable and meets the standards for satisfactory performance given the bank's size and financial condition, and the credit needs of the bank's AAs. The bank's average quarterly loan-to-deposit ratio over the 30 quarters ending December 31, 2010 was 77.71 percent. This is comparable to 77.35 percent experienced by its peer group of banks during the same period.

Lending in Assessment Area

Table 1 details FNBB's aggregate lending in its AAs by number of loan originations and dollar volume of originations during the evaluation period.

FNBB's record of lending in its AAs exceeds the standards for satisfactory performance. A substantial majority of lending activity has occurred inside the bank's AAs. Approximately 86 percent of the number and 89 percent of the dollar amount of loans originated during the evaluation period were located within the bank's AAs.

Table 1 – Lending in FNBB's Assessment Areas										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	153	70.83	63	29.17	216	13,206	68.08	6,193	31.92	19,399
Home Improvement	15	100.0	0	100.0	15	809	100.0	0	0.00	809
Home Refinance	379	88.97	47	11.03	426	51,343	88.72	6,530	11.28	57,873
Business	128	99.22	1	0.78	129	35,276	99.82	65	0.18	35,341
Totals	675	85.88	111	14.12	786	100,634	88.73	12,788	11.27	113,422

Sources: Data reported under HMDA; Sample results.

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

The borrower distribution of home mortgage loans and business loans reflects reasonable penetration among borrowers of different incomes and businesses of different sizes in the Bellevue AA. Refer to Tables 2 and 3, respectively, for the primary data used to assess the borrower distribution of home mortgage lending and business lending to businesses of different sizes within the AA.

Borrower Income Level	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	14.05	3.57	18.52	21.43	24.20	42.86	43.24	32.14
Home Refinance	14.05	3.23	18.52	15.05	24.20	22.58	43.24	59.14

Sources: Data reported under HMDA; 2000 U.S. Census data.

The distribution of home purchase loans reflects reasonable penetration among borrowers of different income levels. Although the percentage of home purchase loans to low-income borrowers is significantly below the percentage of low-income families in the area, the percentage of home purchase loans to moderate-income borrowers exceeds the percentage of moderate-income families in the area.

The distribution of home refinance loans reflects reasonable penetration among borrowers of different income levels. Although the percentage of home refinance loans to low-income borrowers is significantly below the percentage of low-income families in the area, the percentage of home refinance loans to moderate-income borrowers is reasonably comparable to the percentage of moderate-income families in the area.

In evaluating the borrower distribution of home mortgage loans, we considered the number of households that live below the poverty level and the barriers that this may have on home ownership. It is especially difficult for the segment of the low-income population that lives below the poverty line to afford and maintain a home. This has an impact on the opportunity to lend to the low-income population of the community. Refer to the **Description of Assessment Area** section for demographic information including poverty rates.

Size of Business	GAR ≤ \$1MM		GAR > \$1MM		GAR Not Reported	
	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans
Business	75.80	75.00	4.44	25.00	19.76	0.00

Sources: Sample results; 2010 Dun & Bradstreet business data. GAR = Gross Annual Revenues.

FNBB’s distribution of lending to businesses of different sizes reflects reasonable penetration. Our analysis is based on a sample of 60 business loans made within the AA. The percentage of loans made to businesses with gross annual revenues of \$1 million or less is similar to the percentage of area businesses that have gross annual revenues of \$1 million or less. Approximately 20 percent of businesses did not report income.

Geographic Distribution of Loans

An evaluation of the geographic distribution of loans in the Bellevue AA is not meaningful, as there are no low- or moderate-income geographies in this area.

Limited-Scope Assessment Area Review

Erie AA

FNBB’s Erie AA is comprised of five moderate-income, eight middle-income, and three upper-income census tracts in Erie County. This AA is part of the Sandusky, Ohio MSA and includes the bank’s Sandusky branch. There are no low-income census tracts in this AA.

Based on our limited-scope review, FNBB’s performance in the Erie AA is not inconsistent with the bank’s overall reasonable performance in the Bellevue AA. Our analysis is based on 43 home mortgage loans and 35 business loans originated by the bank within the AA during the evaluation period.

Table 4 - Borrower Distribution of Home Mortgage Loans (Erie AA)								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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	19.80	0.00	18.80	15.38	23.01	30.77	38.39	53.85
Home Refinance	19.80	6.90	18.80	20.69	23.01	27.59	38.39	44.83

Sources: Data reported under HMDA; 2000 U.S. Census data.

Overall, the distribution of home mortgage loans reflects reasonable penetration among borrowers of different income levels. Although home mortgage loans to low-income borrowers is significantly below the number of low-income families in the area, the percentage of home mortgage loans made to moderate-income borrowers is comparable to the percentage of moderate-income families in the area.

Consideration is given to the following factors which impact these findings. The nine percent of area households living below the poverty level limits the opportunities to lend to the low-income segment of the community. In addition, the area’s high unemployment rate of ten percent and the uncertainty of continued employment have limited demand for home mortgage loans.

Table 5 - Distribution of Loans to Businesses & Farms of Different Sizes (Erie AA)						
Size of Business	GAR ≤ \$1MM		GAR > \$1MM		GAR Not Reported	
Loan Type	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans
Business	72.20	65.71	4.93	34.29	22.96	0.00

Sources: Sample results; 2010 Dun & Bradstreet business data. GAR = Gross Annual Revenues.

FNBB’s distribution of lending to businesses of different sizes reflects reasonable penetration. Refer to Table 5 for the primary data used to assess the distribution of business loans to businesses of different sizes in the AA.

Geographic Distribution of Loans

The distribution of home mortgage and business loans reflects reasonable dispersion among geographies of different income levels in the AA.

The percentages of home mortgage loans made in moderate-income census tracts are comparable to the percentage of owner-occupied housing in the area. Refer to Table 6 for the primary data used to assess the geographic distribution of home mortgage loans in the Erie AA. As previously noted, there are no low-income census tracts in this AA.

Table 6 - Geographic Distribution of Home Mortgage Loans (Erie AA)								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of # of Loans	% of AA Owner Occupied Housing	% of # of Loans	% of AA Owner Occupied Housing	% of # of Loans	% of AA Owner Occupied Housing	% of # of Loans
Home Purchase	0.00	0.00	21.49	38.46	60.16	46.15	18.36	15.38
Home Refinance	0.00	0.00	21.49	13.79	60.16	51.72	18.36	34.48

Sources: Data reported under HMDA; 2000 U.S. Census data.

The distribution of business loans reflects reasonable dispersion among geographies of different income levels in the AA. Refer to Table 7 for the primary data used to assess the geographic distribution of business loans in the Erie AA. As previously noted, there are no low-income census tracts in this AA.

Table 7 - Geographic Distribution of Loans to Businesses & Farms (Erie AA)								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses/Farms	% of # of Loans	% of AA Businesses/Farms	% of # of Loans	% of AA Businesses/Farms	% of # of Loans	% of AA Businesses/Farms	% of # of Loans
Business	0.00	0.00	25.40	25.71	56.67	48.57	17.94	25.71

Sources: Sample results; 2010 Dun & Bradstreet business data. GAR = Gross Annual Revenues

Ottawa AA

FNBB’s Ottawa AA is comprised of eight middle-income census tracts in Ottawa County. This AA is part of the Toledo, Ohio MSA and includes three bank branches in Port Clinton and Put-In-Bay. There are no low- or moderate-income census tracts within this AA. Therefore our review is limited to the borrower distribution analysis.

Based on our limited-scope review, FNBB’s performance in the Ottawa AA is not inconsistent with the bank’s overall reasonable performance in the Bellevue AA. Our analysis is based on 164 home mortgage loans and 33 business loans originated by the bank within the AA during the evaluation period.

Table 8 - Borrower Distribution of Home Mortgage Loans (Ottawa AA)								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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	16.36	5.45	19.76	18.18	26.00	20.00	37.88	56.36
Home Refinance	16.36	7.34	19.76	18.35	26.00	15.60	37.88	58.72

Sources: Data reported under HMDA; 2000 U.S. Census data.

Overall, the distribution of home mortgage loans reflects reasonable penetration among borrowers of different income levels. Although home mortgage loans to low-income borrowers is significantly below the number of low-income families in the area, the percentage of home mortgage loans made to moderate-income borrowers is comparable to the percentage of moderate-income families in the area.

Consideration is given to the following factors which impact these findings. The seven percent of area households living below the poverty level limits the opportunities to lend to the low-income segment of the community. In addition, the area’s high unemployment rate of sixteen percent and the uncertainty of continued employment have limited demand for home mortgage loans.

Table 9 - Distribution of Loans to Businesses & Farms of Different Sizes (Ottawa AA)						
Size of Business	GAR <= \$1MM		GAR > \$1MM		GAR Not Reported	
Loan Type	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans
Business	75.56	81.82	3.33	18.18	21.11	0.00

Sources: Sample results; 2010 Dun & Bradstreet business data. GAR = Gross Annual Revenues.

FNBB’s distribution of lending to businesses of different sizes reflects excellent penetration. Refer to Table 9 for the primary data used to assess the distribution of business loans to businesses of different sizes in the AA.

An evaluation of the geographic distribution of loans is not meaningful in the Ottawa AA, as there are no low- or moderate-income geographies in this AA.

Responses to Complaints

FNBB has not received any written complaints during the evaluation period regarding its performance in meeting the credit and deposit needs of its AA.

Fair Lending or Other Illegal Credit Practices Review

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