



Comptroller of the Currency
Administrator of National Banks

Cleveland Duty Station
3 Summit Park Drive, Suite 530
Independence, Ohio 44131

PUBLIC DISCLOSURE

February 20, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Shelby
Charter Number 1929
60 West Main Street, P.O. Box 151
Shelby, Ohio 44875**

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.

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 Shelby** prepared by the Comptroller of the Currency, the institution's supervisory agency, as of February 20, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

The First National Bank of Shelby has a satisfactory record of meeting the credit needs of its assessment areas. The level of lending is very good. Loans are made to borrowers throughout the assessment areas. Loans are made to borrowers with differing income levels. Products offered are responsive to the needs of the community. Services are marketed through direct contact with customers, and by directors, officers, and employee participation in community organizations.

The following table indicates the performance level of The First National Bank of Shelby with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>The First National Bank of Shelby</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio	X		
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

The First National Bank of Shelby (FNBS) is a \$155 million institution headquartered in Shelby, Ohio with five banking locations. In addition to the main office, two other branches are in Shelby. FNBS operates two branches in Plymouth, Ohio. Shelby and Plymouth are in

northern Richland County with part of Plymouth being in Huron County. The Shelby main office and the downtown Plymouth office offer full lending and deposit services. The three other offices offer deposit services only.

FNBS operates five automatic teller machines (ATMs). ATMs are located at the Shelby main office, the Shelby/Mansfield Avenue branch, the Plymouth/Sandusky Street branch, and the Cornell's I.G.A. grocery store in Shelby on Mansfield Avenue. The bank has one ATM with access limited to individuals who work in the facility in which the ATM is located.

The bank's primary business focus is consumer lending which historically represents 67 percent of the loan portfolio. Traditional banking products are offered and the bank has tailored its services to meet community credit needs. The bank offers conventional purchase money mortgages and makes small balance loans. There are no financial, legal or other impediments restricting the bank's ability to service its community.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

FNBS's first assessment area includes thirty-two census tracts of the Mansfield OH Metropolitan Statistical Area, or MSA 4800. Twenty-six of these tracts are in northern Richland County and surround the locations of the bank's branches. The remaining six tracts are in eastern Crawford County. MSA 4800 has forty-three census tracts in Richland and Crawford Counties and is approximately halfway between Columbus and Cleveland.

FNBS's second assessment area includes five block numbering areas (BNAs) of southern Huron County. These BNAs are north of MSA 4800 and surround the Village of Plymouth, where the bank operates two branches. Huron County has a total of thirteen BNAs.

The detail that follows represents information on FNBS's assessment areas.

Population / Households / Families / Family Income		
	MSA 4800	Huron County
Population	119,202	21,220
Households	45,650	7,422
Families	32,884	5,911
Median Family Income	\$31,682	\$30,563

Recap of Tract/BNA Status			
Tract type	MSA-4800	Huron County	Total
Low-income	2	0	2
Moderate-inc.	8	0	8
Middle-inc.	18	5	23
Upper-income	4	0	4

Percentage of Families by Income Status		
Income Status	MSA-4800	Huron County
Low-income	20.62%	16.62%
Moderate-income	19.12%	17.48%
Middle-inc.	25.43%	26.90%
Upper-income	34.83%	39.00%

Housing Data		
	MSA-4800	Huron County
Total housing units	48,482	7,870
Owner occupied	31,144	5,584
Median housing value	\$43,150	\$56,900

The bank's assessment areas are a mix of urban, suburban and rural, with varied manufacturing and service industries. The local economy is stable. Within the bank's assessment area, the population and economic centers are located in Mansfield and Shelby. Other towns or villages are Plymouth, Crestline, Galion, Willard and Ontario. The remaining portions of the assessment area are primarily rural. Mass transportation is not available throughout the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

FNBS's overall performance is Satisfactory. Conclusions for each of the assessment areas are:

MSA 4800 - Satisfactory

Huron County - Satisfactory

The following conclusions are based on both the MSA and non-MSA assessment areas. We reviewed the bank's performance since our last CRA Public Disclosure dated February 1, 1995.

FNBS's loan to deposit ratio averages 76.69 percent over the last eight quarters. The table below illustrates a slightly downward trend.

Loan to Deposit Ratios								
Qtr	3/95	6/95	9/95	12/95	3/96	6/96	9/96	12/96
%	79.23	77.51	77.85	74.28	74.11	77.16	77.23	76.4

The bank's loan to deposit ratio exceeds the average performance of other similar sized institutions operating in the same area. We found three banks operating in FNBS's assessment area with assets between \$100 and \$153 million. These three banks had an average loan to deposit ratio of 64.15 percent at September 30, 1996. These banks' loan to deposit ratios ranged from 40.42 percent to 87.82 percent.

A majority of FNBS's lending is within its assessment areas which meets expected performance levels for small institutions. Bank provided information reflected that 81.04 percent of the number (or 83.14 percent of dollars) of all real estate, agricultural, consumer and commercial loans outstanding are within the assessment areas. We confirmed that the majority of loans were inside the assessment area and agreed with the bank provided analysis. We analyzed 1995 and 1996 Home Mortgage Disclosure Act - Loan Application Registers (HMDA-LARs) and found that the majority (by both number and dollar) of residential real estate loans originated since our last evaluation were within the bank's assessment area. We reviewed 1995 and 1996 commercial and agricultural originations by addresses and found that the majority (by both number and dollar) of these loans were within the assessment area.

The following tables detail FNBS's lending inside its assessment area (AA).

Real Estate, Agricultural, Consumer and Commercial Loans						
Bank provided as of October 31, 1996	# of loans in AA	Total # of loans	% in AA	\$ of loans in AA (000's)	Total \$ of loans (000's)	% in AA
All outstanding loans	5464	6742	81.04	\$84,253	\$101,334	83.14

Recent Loan Originations						
	# of loans in AA	Total # of loans	% in AA	\$ of loans in AA (000's)	Total \$ of loans(000's)	% in AA
1995 HMDA	66	94	70.21	\$1,940	\$2,728	71.11
1996 HMDA	104	125	83.2	\$4,891	\$5,828	83.92
1995 Commercial and Agricultural*	107	114	93.86	\$5,381	\$5,789	92.95
1996 Commercial and Agricultural	406	447	90.82	\$13,382	\$15,496	86.36

*1995 Commercial and agricultural originations are not fully represented. The bank's computer system purges paid or renewed notes periodically. Commercial and agricultural loans originated in 1995 and paid or renewed have been deleted from the records and are not included.

FNBS's willingness to lend to borrowers and businesses of different income levels in its assessment area meets expected performance levels for small institutions. We analyzed 1995 and 1996 HMDA information, focusing on the income level of borrowers in the bank's assessment area. The following tables reflect the income category of mortgage borrowers by number and volume.

1995 HMDA Originations by Applicant Income				
	# of loans in AA	% of loans in AA	\$ of loans in AA (000's)	% of \$ in AA
Low-income	14	21.2	\$246	12.68
Moderate-income	13	19.7	\$235	12.11
Middle-income	21	31.82	\$572	29.49
Upper-income	17	25.76	\$797	41.08

1995 HMDA Originations by Applicant Income				
Multi-family	1	1.52	\$90	4.64
TOTAL	66	100%	\$1,940	100%

1996 HMDA Originations by Applicant Income				
	# of loans in AA	% of loans in AA	\$ of loans in AA (000's)	% of \$ in AA
Low-income	11	10.58	\$298	6
Moderate-income	22	21.15	\$662	13.54
Middle-income	31	29.81	\$1,328	27.15
Upper-income	40	38.46	\$2,603	53.22
TOTAL	104	100%	\$4,891	100%

In our review of 1995 and 1996 HMDA originations we found that the bank is making loans to individuals of differing income levels. The majority of HMDA lending activity is to middle- and upper-income individuals. The number of loans to low- and moderate-income individuals is reasonable as compared with the level of families in these categories in the assessment area. The level of dollars extended to low- and moderate-income individuals are much lower than extensions to middle- and upper-income individuals. Middle- and upper-income individuals borrowed larger amounts.

We found that a majority of commercial and agricultural loans were made to businesses and farms with revenues of less than \$1 million. FNBS's asset size precludes lending to very large businesses. Please refer to the table entitled "Recent Loan Originations" on page seven for the number and dollar amount of commercial and agricultural loans originated in 1995 and 1996. Commercial and agricultural originations during these periods are reasonable compared with the level of such loans outstanding which is \$21,993,000 as of December 31, 1996.

FNBS's geographic loan distribution meets expected performance levels for small institutions. We used 1995 and 1996 HMDA information to determine the level of lending within each category of tract/BNA income level in the bank's assessment area. We reviewed bank provided reports showing the tract/BNA location of all open loans as of October 31, 1996.

As noted in the description of the assessment area, there are two low-income census tracts in the bank's assessment area. These tracts are in Mansfield. Six of the moderate-income census tracts are also in Mansfield, adjacent to the low-income tracts. The closest full service branch to the Mansfield low- and moderate-income tracts is the Shelby main office which is twelve miles away. The remaining two moderate-income tracts are in Galion which is in the southeastern corner of Crawford County. The closest full service branch to Galion is the Shelby main office which is fourteen miles away. The lack of loan penetration in these tracts is mitigated given the distance to the closest branch and more readily accessible competitor institutions.

1995 HMDA Originations by Census Tract/Block Numbering Area		
	# of loans	Total loans (000's)
Low-income	0	\$0
Moderate-inc.	6	\$96
Middle-income	53	\$1,498
Upper-income	7	\$346
TOTAL	66	\$1,940

1996 HMDA Originations by Census Tract/Block Numbering Area		
	# of loans	Total loans (000's)
Low-income	0	\$0
Moderate-inc.	3	\$57
Middle-income	83	\$3,584
Upper-income	18	\$1,250
TOTAL	104	\$4,891

The distribution of HMDA originations by census tract/block numbering area is acceptable. The loan distribution mirrors the overall census tract/block numbering area characteristics of the bank's assessment area. The majority of the bank's assessment area tracts/BNAs are middle-income.

In reviewing bank provided reports, we found that loans were made throughout the assessment area. Bank reports show that some type of loan (real estate, agricultural, consumer or commercial) was made between April and October 1996 in all but one of the low- and moderate-income census tracts in the bank's assessment area. We found that the bank has open loans in each of its assessment area's thirty-seven census tracts/BNAs as of October 31, 1996. Loans are concentrated in the Shelby and Plymouth census tracts where the bank's branches are located. Penetration in the remaining census tracts/BNAs is acceptable with secondary concentrations of loans in Crestline, Mansfield, Willard and Ontario.

Qualified investments are Shelby based issues for infrastructure improvements. Original par value was \$411,000. The entire investment portfolio is \$30,098,000 as of December 31, 1996.

FNBS has five branches and five ATMs within its assessment area. Three branches and four ATMs are in the Mansfield MSA. These branches and their census tract status are Shelby main office and Shelby/North Gamble branch - middle-income and Shelby/Mansfield Avenue branch - upper-income. Two ATMs are in a middle-income census tract and two are in an upper-income census tract. The two Plymouth branches and one ATM are in a middle-income BNA. Full banking services are available at the Shelby main office and the downtown Plymouth branch. FNBS has not opened or closed any locations since our last evaluation.

We found no violations of the substantive provisions of the antidiscrimination laws and regulations. We reviewed a sample of each of the bank's loan products to determine compliance. Fair lending training and policies are informal, but sufficient.

Note: The source for demographic information used in this document is CRA WIZ developed by PCI Services, Inc., Boston, MA.