



PUBLIC DISCLOSURE

August 25, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Blanchester
Charter Number 8588

121 East Main Street
Blanchester, OH 45107

Office of the Comptroller of the Currency

Westlake Center
4555 Lake Forest Drive, Suite 520
Cincinnati, Ohio 45242-3760

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

- The bank's loan-to-deposit (LTD) ratio is reasonable.
- FNB makes a majority of their loans inside their assessment area (AA).
- Lending to borrowers of different incomes reflects reasonable penetration.

SCOPE OF EXAMINATION

We conducted a Community Reinvestment Act (CRA) evaluation to assess the bank's record of meeting the credit needs of its community, including low- and moderate-income areas. We used the small bank CRA evaluation procedures to evaluate the bank's performance under the Lending Test. The Lending Test included loans originated from January 1, 2012 to December 31, 2013, which is the lending evaluation period.

Residential real estate and consumer loans are the bank's primary lending products and are considered foremost in this CRA evaluation. To perform our analysis of lending activities, we randomly sampled 20 residential real estate and 20 consumer loans originated during the lending evaluation period. After measuring the volume of loans made inside and outside the bank's AA, additional loans located inside the AA were then selected as necessary to ensure at least 20 loans of each sampled loan type were used for the borrower income analysis. We used the 2010 U.S. Census data to analyze performance.

DESCRIPTION OF INSTITUTION

FNB is a \$55 million financial institution that is wholly owned by First Blanchester Bancshares, Inc., a one-bank holding company. Both the bank and holding company are located in Blanchester, Ohio, approximately 30 miles northeast of Cincinnati, Ohio, in a middle-income census tract. The bank has one office with a drive-up facility and does not have any automated teller machines (ATMs).

FNB's primary business strategy is lending to individuals (residential real estate and consumer loans). The bank offers a variety of standard lending and deposit products and services through their full service main office. As of June 30, 2014, the bank's loan portfolio totaled \$37 million, with net loans representing 67 percent of total assets. Table 1 on the next page reflects the bank's loan portfolio mix during the lending evaluation period.

Table 1 – Primary Loan Types				
Loans Originated/Purchased from January 1, 2012 to December 31, 2013				
	% by Number of Loans Originated/Purchased during evaluation period		% by Dollars of Loans Originated/Purchased during evaluation period	
Loan Type	# of Loans	%	\$000s	%
Residential Real Estate Loans	91	18.8%	\$7,587	62.6%
Consumer Loans	345	71.3%	\$2,719	22.5%
Commercial and Commercial Real Estate Loans	44	9.1%	\$1,585	13.1%
Agricultural Loans	4	0.8%	\$220	1.8%
Total	484	100.0%	\$12,111	100.0%

Source: Bank's record of loans originated in 2012 and 2013.

Bold indicates primary loan products.

There are no financial or legal impediments that affect FNB's ability to help meet the credit needs of its AA. The bank's prior CRA evaluation was conducted as of October 5, 2009 and resulted in a "Satisfactory" rating.

DESCRIPTION OF ASSESSMENT AREA

FNB has designated one AA located in a non-Metropolitan Statistical Area (MSA). The AA consists of four middle-income census tracts. Three of the census tracts are located in the southwestern section of Clinton County and one is located in the southeastern corner of Warren County (census tract 324). The one census tract in Warren County is located in the Cincinnati-Middletown, OH-KY-IN MSA #17140. This geography does not extend substantially beyond the non-MSA boundary of Clinton County; therefore, it was included in the non-MSA AA. The entire AA is contiguous, meets the requirements of the regulation, and does not arbitrarily exclude any low- or moderate-income areas.

Census tracts 9648, 9649, and 9650 in Clinton County include the villages of Blanchester, Midland, Clarksville, and Martinsville, Ohio. Census Tract 324 in Warren County includes the villages of Pleasant Plain and Butlerville, Ohio.

Competition in the AA consists primarily of a branch of a larger community bank. According to the June 30, 2013 Deposit Market Share Report from the Federal Deposit Insurance Corporation (FDIC), FNB had approximately a 7.78 percent deposit market share in Clinton County and was ranked fifth out of ten financial institutions.

Per the 2010 U.S. Census data, the population of the bank's AA in Clinton County is 14,082, with 100 percent living in middle-income census tracts. Approximately 70 percent of the housing units in the AA are owner occupied.

Within the AA, 11.71 percent of the households live below the poverty level and 2.26 percent receive public assistance. The median housing value is \$127,123, the average median age of housing is 39 years, and the weighted average monthly gross rent is \$675.

Per the 2010 U.S. Census data, the Ohio non-MSA median family income is \$52,111. The FFIEC updated estimate of the Ohio statewide non-MSA median family income was \$53,600 for 2012 and \$53,000 for 2013. Approximately 17.6 percent of the families in the AA are low-income and 19.0 percent are moderate-income, with the remainder as middle- and upper-income.

Economic conditions are improving in the AA; however, unemployment in Clinton County still remains higher than the state and national levels. According to the Ohio Labor Market Information as of June 30, 2014, the “not seasonally adjusted” national and State of Ohio unemployment rates were 6.3 percent and 5.9 percent, respectively. The “not seasonally adjusted” unemployment rate for Clinton County was 7.2 percent. The AA is primarily rural with manufacturing as the major industry. The largest employers in the bank’s AA include American Showa, Allen Company, and the Blanchester School System. Many residents commute to the Cincinnati or Wilmington area to work. The community contact indicated the AA’s economy is slightly improving. The contact did not identify any specific credit needs in the AA.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Based on the criteria for the CRA lending test, FNB’s lending performance is satisfactory.

Loan-to-Deposit Ratio

FNB’s LTD ratio is reasonable given the bank’s size, financial condition, and AA credit needs. It meets the requirements for satisfactory performance. Since the previous CRA evaluation, FNB has a 19-quarter average LTD ratio of 78.77 percent. The bank’s LTD ratio at June 30, 2014 was 79 percent. FNB’s quarterly LTD ratio ranged from a low of 72.15 percent at March 31, 2013 to a high of 86.38 percent at June 30, 2010. The quarterly average LTD ratio for similarly situated financial institutions located within the same area was approximately 94.69 percent for the same period. This custom peer group consisted of two financial institutions located in Clinton and Warren Counties, with average LTD ratios of 80.99 percent and 108.38 percent. FNB compares reasonably with this custom peer group.

Lending in Assessment Area

FNB’s record of lending within the AA is satisfactory with a majority of their lending inside the AA. Table 2 on the following page details the bank’s lending activity during the evaluation period by number and dollar volume of loans originated.

Table 2 - Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (in 000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Real Estate Loans	9	45%	11	55%	20	\$835	58%	\$608	42%	\$1,443
Consumer Loans	12	60%	8	40%	20	\$99	67%	\$48	33%	\$147
Totals	21	53%	19	47%	40	\$934	59%	\$656	41%	\$1,590

Source: Loan Sample.

Lending to Borrowers of Different Incomes

The distribution of residential real estate and consumer loans reflects reasonable penetration among borrowers of different incomes, including low- and moderate-income borrowers.

FNB's distribution of residential real estate loans in the AA reflects reasonable penetration among borrowers of different income levels. Lending to low-income borrowers is less than the percentage of low-income families within the AA; however, lending to moderate-income borrowers is significantly higher than the proportion of moderate-income families in the AA. Approximately 11.71 percent of the households in this AA are living below the poverty level. This contributes to the lower penetration to low-income borrowers as these households may experience difficulty meeting the traditional credit underwriting standards to qualify for home mortgage loans. Table 3 below reflects the bank's distribution of home loans by borrower income level and compares this distribution to the AA's specific family composition.

Table 3 - Borrower Distribution of Residential Real Estate Loans in the AA								
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
Residential Real Estate Loans	18%	10%	19%	25%	19%	45%	44%	20%

Source: Loan Sample; 2010 U.S. Census Data, updated as of 2013.

The distribution of consumer loans reflects reasonable penetration among individuals of different incomes, including low- and moderate-income borrowers. Based on our sample, lending to low-income borrowers is less than the percentage of low-income households within the AA; however, lending to moderate-income borrowers is significantly higher than the proportion of moderate-income households in the AA. Again, a factor contributing to the low level of penetration to low-income borrowers is that 11.71 percent of households in the AA are living below the poverty level. Table 4 reflects the bank’s distribution of consumer loans by borrower income level and compares this distribution to the AA’s specific household composition.

Table 4 – Borrower Distribution of Consumer Loans in the AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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	19%	15%	15%	25%	19%	30%	47%	30%

Source: Loan Sample; 2010 U. S. Census Data, updated as of 2013.

Geographic Distribution of Loans

Given there are no low- or moderate-income census tracts within FNB’s AA, an analysis of its geographic distribution of lending is not meaningful.

Responses to Complaints

FNB has not received any complaints about its performance in helping to meet AA credit needs during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

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

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