

INTERMEDIATE SMALL BANK

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

PUBLIC DISCLOSURE

May 31, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank

Charter Number 13742

112 West Market Street
Orrville, OH 44406

Office of the Comptroller of the Currency
Northern Ohio Field Office
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 Lending Test is rated: **Satisfactory**.

The Community Development Test is rated: **Satisfactory**.

First National Bank (FNB) has a satisfactory record of addressing community credit needs. The major factors supporting the bank's rating include:

- The bank's net loan-to-deposit ratio is excellent.
- The bank's record of lending in the assessment area is excellent.
- The bank's record of lending to borrowers of different income levels and businesses of different sizes is adequate.
- The bank's geographic distribution of home mortgage loans and small business loans is adequate.
- The bank's community development performance through its record of retail services, community development loans, qualified investments, and community development services demonstrates adequate responsiveness to community development needs in its assessment areas (AAs).

SCOPE OF EXAMINATION

Conclusions regarding the bank's lending performance are based on residential mortgage and small business loans from January 1, 2004 through December 31, 2006. For the community development test, the evaluation period runs from December 1, 2003 to the start date of the current CRA examination period May 31, 2007. This test includes a review of the investments, services and loans provided in the banks AAs which meet the definition of community development.

The bank's primary AA includes Wayne County, a non MSA, and portions of Stark County, a part of the Canton-Massillon MSA (#15490). These areas were selected for a full scope review due to the location of the bank's headquarters and the majority of the bank's geographies. The remaining area, Medina County, a part of the Cleveland-Lorain MSA #17460, includes only 3 geographies and 2 branches. Therefore, a limited scope review was performed for this AA.

Our review included contacting local housing and economic development groups to ascertain community credit needs. Each contact also stated the local financial institutions offering products to help meet these needs.

DESCRIPTION OF INSTITUTION

First National Bank (FNB) is located in Orrville, Ohio, and is a wholly owned subsidiary of National Bancshares Corporation, a one-bank holding company, also located in Orrville, Ohio. As of December 31, 2006, total assets for National Bancshares Corporation were \$308 million and FNB total assets were \$308 million. In addition to the main office located in Orrville, the bank has thirteen full service branch offices, one cash only kiosk facility (Massillon Marketplace location), and thirteen full-function network ATMs. These ATMs are available 24 hours a day and are located at each full service branch office.

Since the last CRA exam the bank has closed the Massillon Marketplace Office (May 31, 2004), and opened the Burbank Road Office, Wooster, Ohio (June 30, 2005).

Loans represent 60% of the bank's total assets. The bank's primary focus as of December 31, 2006 was real estate lending, which represented 85% of the bank's loan portfolio. The real estate portfolio consists of 69% consumer real estate mortgage lending, 24% commercial loans, 4% loans to individuals, and 3% agriculture & farmland lending. 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 business loans.

There are no known financial or legal impediments that could prevent the bank from addressing community credit needs.

FNB of Orrville has a number of competitors throughout its AAs. These competitors range from regional banking companies to community-sized banks, state-chartered savings banks, and credit unions. Major competitors in the AAs include National City Bank, First Merit Bank, N.A. and Wayne Savings Bank.

The bank's most recent CRA Public Evaluation was dated December 1, 2003. Its performance at that time was rated "Satisfactory".

DESCRIPTION OF THE ASSESSMENT AREAS

FNB has three AAs in northeast Ohio. The primary AA is comprised of Wayne County, with the secondary AAs comprised of a portion of Stark County, and a small portion of Medina County. All three AAs meet the requirements of the regulations and do not arbitrarily exclude any low-or moderate-income areas. The AAs are contiguous. Since the bank's primary market area is Wayne County, and a majority of the bank's branches (10 of 14), loans and deposits are in the Wayne County, we are putting more weight on this area rather than the other 2 AAs.

Non-MSA – Wayne County

This AA consists of Wayne County, Ohio. It is comprised of 33 geographies. There are no low-income geographies, one moderate-income geography (3% of the geographies), twenty-six middle income geographies (79% of geographies), and six upper-income geographies (18% of geographies).

The unemployment rate as of December 2006 for Wayne County is 4.5%. This is lower than the Ohio state unemployment rate of 5.4% and slightly higher than the national rate of 4.3%. Over the length of the evaluation period, unemployment trends have steadily decreased from 4.7% in 2003 to 4.5% in 2006. Historically, Wayne County economy is manufacturing oriented, but also includes education, medical, and state and local government. Largest employers include, but are not limited to Bosch Rexroth Corp., College of Wooster, and the JM Smucker Co. Major employers also include Frito-Lay, the State of Ohio, and Wooster Community Hospital. The city of Wooster is the largest city of the county followed by Orrville and Chippewa Township.

The HUD 2006 adjusted median family income in the AA is \$51,100. The 2000 census bureau lists the assessment area population as 111,564 persons, which comprises 29,742 families. Of these families, 13.12% in the AA are low-income, 17.75% of the families are moderate-income, 25.13% of the families are middle-income, and 44% are upper-income. In addition, approximately 8% of the households are below poverty level with 2.4% relying on public assistance. Twenty-six percent of the household income is derived from social security. Housing units consist of 70% owner-occupied. The housing units are primarily one-to-four family with a median housing value of \$105,528.

We made one contact with an affordable housing and social service agency within the community to discuss the community credit needs.

The following credit and non-credit related needs were identified in this AA:

- Develop a residential lending program that targets aging houses in local neighborhoods utilizing reduced fees and down payments.
- Provide rehabilitation loans for home improvements/renovations to older homes.
- Small business loans of \$100 thousand or less for business start-up or working capital needs.
- Provide funds and/or personnel to conduct financial literacy programs and computer training courses.

Competitors in the AA include local community and large regional banks as well as local thrifts. Major competitors in the AA include National City Bank, headquartered in Cleveland, Ohio, First Merit Bank, N.A., headquartered in Akron, Ohio and and Wayne Savings Bank. Deposit market share data for these competitors are 34%, 19%, and 14%, respectively. First National Bank's deposit market share for this AA is 12%.

Canton-Massillon MSA #15490 – Stark County

The Stark County AA is comprised of a portion of Stark County consisting of 29 geographies. Stark County is included in the Canton-Massillon MSA (#15490). Within the AA, there is one low-income geography (3.45% of geographies), five moderate-income geographies (17.24% of the geographies), eighteen middle-income geographies (62.00% of geographies), and five upper-income geographies (17.24% of geographies).

The unemployment rate as of December 2006 for Stark County is 5.7%. This is slightly higher than the Ohio state unemployment rate of 5.4% and higher than the national rate of 4.3%. Over the length of the evaluation period, unemployment trends have steadily decreased from 6.3% in 2003 to 5.7% in 2006. Major employers include The Timken Company, Hoover Company, Diebold Inc., Mercy Medical Center, Smurfit-Stone Container, and AK Steel Holding. The city of Canton is the largest city of the county followed by Massillon.

The HUD 2006 adjusted median family income in the AA is \$54,900. The 2000 census bureau lists the assessment area population 132,983, which comprises 37,515 families. Of these families, 13.99% in the AA are low income, 18.30% of the families are moderate-income, 23.54% are middle-income, and 44.17% are upper-income. In addition, approximately 5.98% of the households are below poverty level with 1.63% relying on public assistance. Twenty-eight percent of the household income is derived from social security. Housing units consist of 72% owner-occupied. The housing units are primarily one-to-four family with a median housing value of \$110,997.

We made one contact with an affordable housing and social service agency within the community to discuss the community credit needs.

The following credit and non-credit related needs were identified in this AA:

- Funding for a small business incubator to provide monies for individual rehab projects and permanent financing term-outs.
- Additional funding to expand the county micro-financing revolving loan pool.
- In-kind assistance of local bankers to serve on a loan review committee for the micro-financing loan pool and small business incubators noted above.
- Financial literacy training and creation of an individual deposit account (IDA) targeted to low to moderate-income (LMI) households.

Competitors in the AA include local community and large regional banks as well as local thrifts. Major competitors in the AA include First Merit Bank, N.A., Charter One Bank, N.A., Huntington National Bank, and Key Bank, N.A.. Deposit market share data for

these competitors are 30%, 16%, 15%, and 13%, respectively. First National Bank deposit market share for this AA is 1%.

Limited Scope - Cleveland-Lorain MSA #17460 – Medina County

The Medina County AA includes the communities of Lodi and Seville and consists of 3 geographies in Medina County. Within the AA, there are no low- or moderate-income geographies, three middle-income geographies (100% of geographies), and no upper-income geographies.

The unemployment rate as of December 2006 for Medina County is 4.8%. This is lower than the Ohio state unemployment rate of 5.4% and higher than the national rate of 4.3%. Over the length of the evaluation period, unemployment trends have remained stable at 4.8% in 2003 as well as 4.8% in 2006. Major employers in the county include Westfield Companies, Advance Bronze, Prime Outlets-Lodi, and Schneider Trucking.

The HUD 2006 adjusted median family income in the AA is \$61,400. The 2000 census bureau lists the assessment area population 9,082 persons, which comprises 2,543 families. Of these families, 16.52% in the AA are low-income, 18.36% of the families are moderate-income, 27.64% of the families are middle-income, and 37.48% are upper-income. In addition, approximately 5% of the households are below poverty level with 2% relying on public assistance. Twenty-five percent of the household income is derived from social security. Housing units consist of 76% owner-occupied. The housing units are primarily one-to-four family with a median housing value of \$61,400.

We made one contact with an economic development agency within the community to discuss the small business community credit and non-credit needs. An industrial park currently in the planning stages with a private developer would benefit from funding various infrastructure improvements such as streets and sewers. There is also a continued need in the Lodi-Seville market for small business loans of \$100,000 or less for start-up and working capital needs.

Competitors in the AA include local community and large regional banks as well as local thrifts. The banks major competitors in the AA are Westfield Bank, headquartered in Westfield Center, FirstMerit Bank, N.A., headquartered in Akron, Ohio and National City, headquartered in Cleveland. Deposit market share data for these competitors are 55%, 18% and 11%, respectively. First National Bank deposit market share for this AA is 9%.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Our performance evaluation was based on the following factors. As a Home Mortgage Deposit Act (HMDA) reporter for home mortgage loans, we placed more weight on the bank's home mortgage loan performance. Our conclusions are based on all residential real estate loans and a sample of 31 small business loans originated by the bank during the evaluation period. The additional small business loans were chosen to offset the loans outside the assessment area reviewed for the assessment lending area portion of the performance evaluation.

Lending Test

FNB's lending test is rated Satisfactory.

Loan-to-Deposit Ratio

The bank's net loan-to-deposit ratio (LTD) is excellent and exceeds the standards for satisfactory performance given the bank's size, financial condition, and ability to address credit needs.

For analysis purposes, the bank's current and 14-quarter average LTDs were compared with a peer group of five banks consisting of various sizes and similar purpose. The analysis shows the LTD as of December 31 2006 was 73.36% which compares favorably to the peer average of 60.67%. When shown over the previous 14 quarters the LTD ratio equals 77.67% also comparing favorably to the peer average of 61.42%. This ratio has shown a decrease trend in recent years.

Lending in Assessment Area

FNB's record of lending in the assessment area is excellent and exceeds the standards for satisfactory performance. Over 86 percent of the number of loans and nearly 86 percent of loan dollars originated by the bank during the evaluation period are located within its AAs. These percentages are based on all home mortgage and a sample of twenty small business loans originated by the bank during the evaluation period per assessment area lending methodology.

The following table details FNB's lending in the AA by number of loan originations and dollar volume during the evaluation period.

| Loans Originated within the Assessment Area | | | | | | | | |
|--|------------|--------------|---------------|--------------|------------|--------------|--------------|--------------|
| | Inside AA | | | | Outside AA | | | |
| Borrower Loan Type | # | % | \$ | % | # | % | \$ | % |
| Home Purchase | 160 | 88.40 | 17,772 | 90.25 | 21 | 11.60 | 1,920 | 9.75 |
| Home Refinance | 179 | 86.89 | 17,384 | 83.03 | 27 | 13.11 | 3,552 | 16.97 |
| Home Improvement | 30 | 85.71 | 2,727 | 82.11 | 5 | 14.29 | 594 | 17.89 |
| Home Mortgage | 369 | 87.44 | 37,883 | 86.20 | 53 | 12.56 | 6,066 | 13.80 |
| Small Business | 14 | 70.00 | 2,707 | 77.83 | 6 | 30.00 | 771 | 22.42 |
| Total | 383 | 86.65 | 40,590 | 85.58 | 59 | 13.35 | 6837 | 14.42 |

Source: 2004 through 2006 HMDA data , 2000 US Census data and FNB Small Business Trial Balance Report

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

Overall lending to borrowers of different income levels and businesses of different sizes is adequate.

Non- MSA – Wayne County

The bank’s borrower distribution for home mortgage lending is adequate. The bank’s borrower distribution for and small business lending is excellent.

The tables below detail the bank’s lending to borrowers of different income levels and businesses of different sizes by number of loan originations and dollar volume during the evaluation period.

| Distribution of Lending by Borrower Income Level | | | | | |
|---|---|------------|-------------|------------|------------------------------|
| | Home Mortgage Loans - Purchase Non-MSA Wayne County | | | | Percentage of Families in AA |
| | # of loans | % of loans | \$ of loans | % of loans | |
| Low | 14 | 10.53 | 839 | 5.69 | 13.12 |
| Moderate | 26 | 19.55 | 2,466 | 5,178 | 17.75 |
| Middle | 47 | 35.34 | 5,178 | 35.09 | 25.13 |
| Upper | 46 | 34.58 | 6,275 | 42.51 | 44.00 |

The bank’s origination of home purchase loans to low-income borrowers is near to the percentage of low-income families while its origination of home purchase loans to moderate-income borrowers exceeds the percentages of moderate-income families in the AA.

| Distribution of Lending by Borrower Income Level | | | | | |
|---|--|------------|-------------|------------|------------------------------|
| | Home Mortgage Loans – Refinancing Non-MSA Wayne County | | | | Percentage of Families in AA |
| | # of loans | % of loans | \$ of loans | % of loans | |
| Low | 6 | 4.17 | 259 | 1.81 | 13.12 |
| Moderate | 33 | 22.92 | 2,910 | 20.36 | 17.75 |
| Middle | 39 | 27.08 | 3,773 | 26.40 | 25.13 |
| Upper | 66 | 45.83 | 7,352 | 51.43 | 44.00 |

The percentage of home refinance loans to low-income borrowers is less than the percentage of low-income families in the AA while the percentage of home refinance loans to moderate-income borrowers exceeds the percentages of moderate-income families in the AA.

| Distribution of Lending by Borrower Income Level | | | | | |
|---|--|------------|-------------|------------|------------------------------------|
| | Home Mortgage Loans – Home Improvement Non-MSA Wayne County | | | | Percentage of Families in AA |
| | # of loans | % of loans | \$ of loans | % of loans | |
| Low | 4 | 16.67 | 65 | 3.00 | 13.12 |
| Moderate | 1 | 4.17 | 128 | 5.90 | 17.75 |
| Middle | 9 | 37.50 | 722 | 33.27 | 25.13 |
| Upper | 10 | 41.66 | 1,255 | 57.83 | 44.00 |

The percentage of home improvement loans for low-income borrowers exceeds the distribution of percentage of families in the AA. The bank's percentage of home improvement loans for moderate-income borrowers is less than the distribution of percentage of families in the AA.

While the bank's percentage of home improvement loans for moderate-income borrowers and the percentage of home refinance loans to low-income borrowers is less than the percentage of low- and moderate-income families in the AA, this performance is adequate given the competition from other banks in this AA is high with FirstMerit Bank, the leading competitor, dominating the market for home improvement loans per FNB CRA Officer. In addition, the demographics of the low-and moderate-income tracts indicate the majority of units are rental occupied.

Lending to businesses of different sizes is excellent. To determine this performance, we selected a sample of thirty-one small business loans of which fifteen were made in this AA. Twelve of the fifteen loans were made to businesses with gross annual revenues less than \$1 million representing 80% of loans in the sample. Dun & Bradstreet data for businesses in the AA that reported revenue indicated 65% of those businesses had gross annual revenues less than or equal to \$1 million.

Canton-Massillon MSA #15490 – Stark County

FNB's borrower distribution for home mortgage lending is adequate. FNB's borrower distribution for small business lending is excellent.

The tables below detail the bank's lending to borrowers of different income levels and businesses of different sizes by number of loan originations and dollar volume during the evaluation period.

| Distribution of Lending by Borrower Income Level | | | | | |
|---|---|------------|-------------|------------|------------------------------|
| | Home Mortgage Loans - Purchase Canton-Massillon MSA | | | | Percentage of Families in AA |
| | # of loans | % of loans | \$ of loans | % of loans | |
| Low | 3 | 13.04 | 188 | 7.36 | 13.99 |
| Moderate | 5 | 21.74 | 513 | 20.09 | 18.30 |
| Middle | 5 | 21.74 | 419 | 16.41 | 23.54 |
| Upper | 10 | 43.48 | 1,433 | 56.12 | 44.17 |

The bank's origination of home purchase loans to low-income borrowers meets the percentage of low-income families while its origination of home purchase loans to moderate-income borrowers exceeds the percentages of moderate-income families in the AA.

| Distribution of Lending by Borrower Income Level | | | | | |
|---|--|------------|-------------|------------|------------------------------|
| | Home Mortgage Loans – Refinancing Canton-Massillon MSA | | | | Percentage of Families in AA |
| | # of loans | % of loans | \$ of loans | % of loans | |
| Low | 3 | 12.00 | 210 | 9.80 | 13.99 |
| Moderate | 7 | 28.00 | 343 | 16.01 | 18.30 |
| Middle | 6 | 24.00 | 643 | 30.00 | 23.54 |
| Upper | 9 | 36.00 | 947 | 44.19 | 44.17 |

The bank's origination of home refinance loans to low-income borrowers is near to the percentage of low-income families in the AA while their origination of home refinance loans to moderate-income borrowers exceeds the percentages of moderate-income families in the AA.

| Distribution of Lending by Borrower Income Level | | | | | |
|---|---|------------|-------------|------------|------------------------------|
| | Home Mortgage Loans – Home Improvement Canton-Massillon MSA | | | | Percentage of Families in AA |
| | # of loans | % of loans | \$ of loans | % of loans | |
| Low | 0 | 0 | 0 | 0 | 13.99 |
| Moderate | 2 | 40.00 | 20 | 5.12 | 18.30 |
| Middle | 0 | 0 | 0 | 0 | 23.54 |
| Upper | 3 | 60.00 | 371 | 94.88 | 44.17 |

The percentage of home improvement loans for moderate-income borrowers exceeds the distribution of percentage of families in the AA. Although the bank did not originate

any home improvement loans for low-income borrowers, this performance is adequate given the competition from other banks in this AA is high with FirstMerit Bank, the leading competitor. In addition, the demographics of the low-and moderate-income tracts indicate the majority of units are rental occupied.

Lending to businesses of different sizes is excellent. To determine this performance, we selected a sample of thirty-one small business loans of which fourteen were made in this AA. Thirteen of the fourteen loans were made to businesses with gross annual revenues less than \$1 million representing 93% of loans in the sample. Dunn & Bradstreet for businesses in the AA that reported revenue indicated 65% of those businesses had gross annual revenues less than or equal to \$1 million.

Limited Scope - Cleveland-Lorain MSA #17460 – Medina County

FNB’s borrower distribution for home mortgage lending performance is not inconsistent with performance in the Wayne County Non-MSA or Canton-Massillon MSA AA.

The bank’s borrower distribution for home mortgage lending and small business lending is adequate.

All home mortgage loan products are combined for analysis purposes.

| Borrower Income Level | Cleveland-Lorain MSA Limited-Scope AA | | | | | | | | Percentage of Families in AA*** |
|-----------------------|---------------------------------------|--------------|-----------------|--------------|------------------|------------|------------------------|--------------|---------------------------------|
| | Home Purchase* | | Home Refinance* | | Home Improvement | | All Mortgage Loans* ** | | |
| | # of loans | % # of loans | # of loans | % # of loans | # of loans | # of loans | # of loans | % # of loans | |
| Low | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 16.52 |
| Moderate | 0 | 0 | 3 | 30.00 | 0 | 0 | 3 | 20.00 | 18.36 |
| Middle | 4 | 100.00 | 5 | 50.00 | 1 | 100.00 | 10 | 66.67 | 27.64 |
| Upper | 0 | 0 | 2 | 20.00 | 0 | 0 | 2 | 13.33 | 37.48 |

Source: 2004 through 2006 HMDA data and 2000 US Census data.

The bank’s distribution of lending to businesses of different sizes reflects adequate penetration.

The number of businesses within the AA having reported gross annual revenues below \$1 million (small businesses) comprise 61 percent of all businesses according to CRA Wiz data. The percentage of the number of loans originated by FNB to small businesses falls just below the number of small businesses at 50 percent. As the bank does not maintain small business data, these results were based on a random sample of 31 loans of which only 2 were identified from this AA. As previously mentioned the Medina AA, comprise only three geographies or only 5% of the combined AA of FNB.

Geographic Distribution of Loans

FNB's geographic distribution for home mortgage lending is adequate and small business lending is adequate.

We considered the following factors in assessing the bank's lending performance in low- and moderate-income geographies. For home mortgage loans, our review focused on the bank's lending performance relative to the level of owner-occupied units in low- and moderate-income geographies. For small business loans, our review focused on the bank's lending performance relative to the percentages of businesses located within low- and moderate-income geographies.

Non-MSA – Wayne County

The bank's geographic distribution of home mortgage loans reflects good performance and the geographic distribution of small business loans reflects adequate performance. There are no low-income geographies in this AA.

The bank's origination of home purchase and home improvement loans in moderate-income geographies exceeds the percentage of owner-occupied housing units in moderate-income geographies. The bank's origination of home mortgage refinance loans is slightly below the percentage of owner-occupied housing in this AA.

| Geographic Distribution of Lending | | | | | |
|---|--|------------|-------------|------------|--|
| | Home Mortgage Loans – Purchases Wayne County | | | | Percentage of Owner-Occupied Housing in AA |
| | # of loans | % of loans | \$ of loans | % of loans | |
| Low | NA | NA | NA | NA | NA |
| Moderate | 4 | 3.01 | 229 | 1.55 | 2.39 |
| Middle | 116 | 87.22 | 13,125 | 88.93 | 76.13 |
| Upper | 13 | 9.77 | 1,404 | 9.51 | 21.48 |

| Geographic Distribution of Lending | | | | | |
|---|--|------------|-------------|------------|--|
| | Home Mortgage Loans – Refinancing Wayne County | | | | Percentage of Owner-Occupied Housing in AA |
| | # of loans | % of loans | \$ of loans | % of loans | |
| Low | NA | NA | NA | NA | NA |
| Moderate | 2 | 1.39 | 180 | 1.26 | 2.39 |
| Middle | 133 | 92.36 | 13,275 | 92.87 | 76.13 |
| Upper | 9 | 6.25 | 839 | 5.87 | 21.48 |

| Geographic Distribution of Lending | | | | | |
|---|---|------------|-------------|------------|--|
| | Home Mortgage Loans – Home Improvement Wayne County | | | | Percentage of Owner-Occupied Housing in AA |
| | # of loans | % of loans | \$ of loans | % of loans | |
| Low | NA | NA | NA | NA | NA |
| Moderate | 2 | 8.33 | 103 | 4.75 | 2.39 |
| Middle | 21 | 87.50 | 2,042 | 94.10 | 76.13 |
| Upper | 1 | 4.17 | 25 | 1.15 | 21.48 |

The bank's geographic distribution of small business loans reflects adequate performance for its AA. Although the bank did not originate any small business loans (from our sample) within low- and moderate-income geographies in this census tract, this performance is considered adequate given these facts. The single moderate-income geography in the AA is located in a census tract where the bank does not have a branch office. In addition, seventy-six per-cent of the bank's AA is comprised of middle-income geographies where over 79% of the AA's non-farm businesses are located.

| Geographic Distribution of Lending | | | | | |
|---|-----------------------------------|------------|-------------|------------|---|
| | Small Business Loans Wayne County | | | | Percentage of Non-Farm Businesses in AA |
| | # of loans | % of loans | \$ of loans | % of loans | |
| Low | NA | NA | NA | NA | NA |
| Moderate | 0 | 0 | 0 | 0 | 3.78 |
| Middle | 14 | 93.33 | 3,321 | 94.48 | 78.79 |
| Upper | 1 | 5.52 | 194 | 5.52 | 17.43 |
| Total | 15 | 100.00 | 3,515 | 100.00 | 100.00 |

Canton-Massillon MSA #154900 – Stark County

The bank's geographic distribution of home mortgage loans reflects adequate performance while the geographic distribution of small business loans reflects excellent performance

The bank did not originate any home mortgage loans in low-income geographies. The bank's origination of home purchase loans and refinance loans in moderate-income geographies is below the percentage of owner-occupied housing units in moderate-income geographies. The bank did not originate any home improvement loans in moderate-income geographies. However, this performance is adequate given the AA has less than one percent of its owner-occupied housing units in low-income geographies. Further, the competition from other banks in this AA is high with FirstMerit Bank, the leading competitor, dominating the market for home improvement loans. In

addition, the demographics of the low-and moderate-income tracts indicate the majority of units are rental occupied.

| Geographic Distribution of Lending | | | | | |
|---|--|------------|-------------|------------|--|
| | Home Mortgage Loans – Purchases Canton-Massillon MSA | | | | Percentage of Owner-Occupied Housing in AA |
| | # of loans | % of loans | \$ of loans | % of loans | |
| Low | 0 | 0 | 0 | 0 | 0.02 |
| Moderate | 1 | 4.35 | 58 | 2.27 | 8.98 |
| Middle | 21 | 91.30 | 2,357 | 92.32 | 65.74 |
| Upper | 0 | 0 | 0 | 0 | 25.26 |

| Geographic Distribution of Lending | | | | | |
|---|--|------------|-------------|------------|--|
| | Home Mortgage Loans – Refinancing Canton-Massillon MSA | | | | Percentage of Owner-Occupied Housing in AA |
| | # of loans | % of loans | \$ of loans | % of loans | |
| Low | 0 | 0 | 0 | 0 | 0.02 |
| Moderate | 1 | 4.00 | 78 | 3.64 | 8.98 |
| Middle | 23 | 92.00 | 2,015 | 94.03 | 65.74 |
| Upper | 1 | 4.00 | 50 | 2.33 | 25.26 |

| Geographic Distribution of Lending | | | | | |
|---|---|------------|-------------|------------|--|
| | Home Mortgage Loans – Home Improvement Canton-Massillon MSA | | | | Percentage of Owner-Occupied Housing in AA |
| | # of loans | % of loans | \$ of loans | % of loans | |
| Low | 0 | 0 | 0 | 0 | 0.02 |
| Moderate | 0 | 0 | 0 | 0 | 8.98 |
| Middle | 5 | 100.00 | 391 | 100.00 | 65.74 |
| Upper | 0 | 0 | 0 | 0 | 25.26 |

The bank's geographic distribution of small business loans reflects excellent performance for its AA. The bank's origination of small business loans (from our sample) within both low- and moderate-income geographies is significantly above the percentage of non-farm businesses in this AA.

| Geographic Distribution of Lending | | | | | |
|---|---|------------|-------------|------------|---|
| | Small Business Loans – Canton-Massillon MSA | | | | Percentage of Non-Farm <i>Businesses</i> in AA |
| | # of loans | % of loans | \$ of loans | % of loans | |
| Low | 5 | 35.71 | 183 | 7.10 | 3.10 |
| Moderate | 2 | 14.29 | 818 | 31.73 | 7.22 |
| Middle | 5 | 35.71 | 1,028 | 39.87 | 48.01 |
| Upper | 2 | 14.29 | 549 | 21.30 | 41.67 |
| Total | 14 | 100.00 | 2,578 | 100.00 | 100.00 |

Limited Scope - Cleveland-Lorain MSA #17460 – Medina County

An evaluation of the geographic distribution of loans for the Medina limited-scope AA is not meaningful as there are no low- or moderate-income tracts in these AA's.

Responses to Complaints

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

Community Development Test

The community development test is rated Satisfactory..

FNB's community development performance through its record of community development loans, qualified investments, and community development services demonstrates adequate responsiveness to community development needs in its AA. As the community development services offered by the bank are identical in each AA, they will be discussed in its entirety at the end of this section.

Non-MSA – Wayne County

Community Development Loans

FNB originated five community development loans for \$2.2 million with \$1.8 million advanced. Three loans were made to organizations whose purpose is to revitalize and stabilize low-and moderate-income geographies. The other two loans were to provide housing programs for the homeless and to purchase properties for rental in low-to moderate-income (LMI) households. The bank also has letter of credit commitments totaling \$242 thousand toward small business loans for leasehold improvements and business expansion in LMI areas.

The bank offers two loan products specifically targeted to low- and/or moderate-income persons and geographies who meet Federal Housing Finance Board income qualifications. These programs include "First Step Mortgage" and "Choice" loans. The

"First Step Mortgage" program is designed for income-eligible first-time home buyers by offering terms that are attractive and obtainable. The features of the program include max LTV of 95%, terms up to 30 years, lender paid PMI, 3% down payments, fixed interest rates, and an alternative credit history [rent and utility payment history] is considered acceptable. With this program, bank customers can establish their credit history while increasing their equity in their homes. As of 5/2/07, FNB made one loan totaling \$113 thousand in this program.

The "Choice" mortgage loan program helps customers purchase a home with a minimal down payment and lower closing costs. Features include low closing costs, bank paid PMI, and alternative credit history options are permissible for consideration. As of 5/2/07, FNB made 4 loans totaling \$339 thousand in this program.

The bank purchased \$253 thousand worth of mortgage loans for LMI households from their local Habitat for Humanity organization. As of 10/23/06, the total note face amount for the program was \$327 thousand. The purchase made it possible for the Habitat organization to construct approximately 7 more homes for LMI families within the bank's AA.

The Orrville downtown revitalization program special financing program offered by the bank serves the purpose of providing building improvements in the central business district under the Community Development Block Grant matched funding program sponsored by the city of Orrville. FNB has committed \$500 thousand toward revitalizing a local business under this program and is awaiting the matching funds from the state to implement this project.

Qualified Investments

During the evaluation period, FNB's made 47 qualified donations to 16 organizations totaling \$158 thousand. All funds are specifically targeted to benefit low- and moderate-income persons, low- and moderate-income geographies within the AA, or support organizations whose major purpose is providing economic development, revitalizing of central business districts, and offering assistance to attract, expand and retain small business entities, payrolls and job levels throughout the AA.

Canton-Massillon MSA #15490 – Stark County

Community Development Loans

FNB originated one community development loan for \$85 thousand. This loan was made to an organization whose purpose is to provide housing programs for the homeless and to purchase properties for rental in low-to moderate-income (LMI) households.

The bank offers two loan products specifically targeted to low- and/or moderate-income persons and geographies who meet Federal Housing Finance Board income qualifications. These programs include "First Step Mortgage" and "Choice" loans. The

"First Step Mortgage" program is designed for income-eligible first-time home buyers by offering terms that are attractive and obtainable. The features of the program include max LTV of 95%, terms up to 30 years, lender paid PMI, 3% down payments, fixed interest rates, and an alternative credit history [rent and utility payment history] is considered acceptable. With this program, bank customers can establish their credit history while increasing their equity in their homes. As of 5/2/07, FNB made one loan totaling \$102 thousand in this program.

The "Choice" mortgage loan program helps customers purchase a home with a minimal down payment and lower closing costs. Features include low closing costs, bank paid PMI, and alternative credit history options are permissible for consideration. As of 5/2/07, FNB made no loans in this program for this AA.

Qualified Investments

During the evaluation period, FNB's made 4 qualified donations to 3 organizations totaling \$15 thousand. All funds are specifically targeted to benefit low- and moderate-income persons, low- and moderate-income geographies within the AA, [or support organizations whose major purpose is providing economic development, revitalizing of central business districts, and offering assistance to attract, expand and retain small business entities, payrolls and job levels throughout the AA.

Limited Scope - Cleveland-Lorain MSA #17460 – Medina County

Community Development Loans

FNB did not originate any community development loans to local firms or organizations for this AA.

The bank offers two loan products specifically targeted to low- and/or moderate-income persons and geographies who meet Federal Housing Finance Board income qualifications. These programs include "First Step Mortgage" and "Choice" loans as explained previously in the full-scope AAs. As of 5/2/07, FNB made one First Step loan totaling \$122 thousand in this program and no Choice loans.

Qualified Investments

During the evaluation period, FNB's made 4 qualified donations to 1 organization totaling \$1 thousand. All funds are specifically targeted to benefit low- and moderate-income persons, low- and moderate-income geographies within the AA, [or support organizations whose major purpose is providing economic development, revitalizing of central business districts, and offering assistance to attract, expand and retain small business entities, payrolls and job levels throughout the AA.

Community Development Services – All Assessment Areas

The bank has fourteen branches and thirteen ATMs in its AA. There is one ATM in a low-income geography. The low- and moderate-income geographies are located around Massillon in branches acquired in April 2002 by a merger with Peoples Federal Savings & Loan. As previously noted, low- and moderate-income geographies are found in the cities of Massillon and Wooster where the bank has a limited presence.

In addition to FNB's full-service branches and ATM locations, FNB offers on-line banking, providing customer access to consumer and business accounts. Consumers can access accounts, check balances, view statements and cancelled checks, and transfer funds between accounts. Commercial customers have the option of participating in their Corporate Cash Management on-line application. Beside providing the services stated above for consumers, business customers can also make loan payments, make ACH and wire transfer requests, and have various corporate entities linked with the parent organization. FNB provides a telephone bill payment system, allowing customer to make bill payments directly from their deposit accounts. FNB offers free checking accounts to all its customers and include the following features: unlimited check writing, direct deposit options, no minimum monthly balance, free bill pay, and check safekeeping.

FNB offers a full range of consumer and commercial banking products and services at all its full-service branches. The bank offers two loan products specifically targeted to low- and/or moderate-income persons and geographies who meet Federal Housing Finance Board income qualifications. Borrowers in each program must maintain the property as their primary residence for five years or payback a pro-rated share of the funds used in their down payment & closing costs. These programs include "First Step Mortgage" and "Choice" as mentioned in the CD loans section above.

FNB is implementing in the "Ohio Saves" program which encourages consumers to save money in order to pay off their debts and reach their financial goals. The program provides consumers with tips and tools to help set goals and develop strategies to reach their goals through saving. The bank offers the "Ohio Saves" savings account. This account is interest bearing, requires a \$10 minimum balance requirement, has the monthly minimum balance fee waived for the first 12 months, and has no monthly account fee.

FNB is also involved in a variety of community development services. Many of the bank's employees are involved in civic and professional organizations that provide services for low- and moderate-income individuals or economic development for small business. FNB is represented in twenty-three major community groups active in meeting the housing, service, and economic needs of low- to moderate-income households and geographies. Senior management is actively involved in several economic development organizations in Orrville, Wooster and Lodi to meet small business needs including start-up loans, rehabilitation and re-stabilization of central business districts, and offering assistance to existing businesses to expand operations and encourages new businesses to relocate to Orrville. In addition, the bank has

provided bank employees the opportunity to work on Habitat home construction during the workday. The bank has sponsored a Habitat home during this same period.

FNB employees also provide internal training services to local schools and consumers about personal finance topics. The most recent seminar entitled "Get Smart About Your Credit" instructed students on the importance of financial literacy and maintaining good credit. Specifically, topics discussed included credit cards, the cost of credit, credit reports, budgeting, and preventing ID theft. This course was offered at Washington High School in Massillon and Wooster High School on 10/16/06. FNB also sponsored seminars regarding first-time home buyers on 8/2/06. The seminar panel included Sue Shankleton, a mortgage loan originator at FNB. Sue discussed the homebuyer's products the bank offers including the First Step and Choice Mortgage programs in detail. On-going sponsorship of these programs will continue going forward.

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.