



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

October 6, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of St. Marys
Charter Number 5226**

**401 Second Street
PO Box 180
St. Marys, WV 26170**

**Comptroller of the Currency
West Virginia Field Office
500 Lee Street, East, Suite 730
Charleston, WV 25301-2117**

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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

We assigned the Community Reinvestment Act (CRA) rating based on the following information:

- The bank's loan-to-deposit ratio is reasonable.
- A majority of the bank's loans were originated within their assessment area.
- Analysis reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- No public complaints related to CRA have been filed since the last CRA examination.

DESCRIPTION OF INSTITUTION

First National Bank (FNB) is a wholly owned subsidiary of First National Bancorp, a one-bank holding company. The only change in the bank's corporate structure since the last CRA examination was formation of the holding company. FNB received a satisfactory CRA rating at its last CRA performance evaluation dated March 6, 1998.

FNB operates as a community bank with its main office located in St. Marys, West Virginia. The bank also operates one drive-in facility across the street from the main office. The bank has not opened nor closed any branches since the last CRA examination. FNB operates four Automated Teller Machines (ATMS) for cash dispensing only in the rating area. As of June 30, 2003, FNB had total assets of \$37.8 million with a net loan portfolio of approximately \$22.0 million that equaled 58.2% of total assets. Total deposits were \$36.0 million. The bank offers a variety of traditional deposit and loan products to consumers, and their commercial lending is primarily to small businesses. There are no financial, legal constraints, or other conditions that would hinder the bank's ability to help meet the credit needs of its assessment area.

The following table reflects the composition of the bank's loan portfolio based on the June 30, 2003 call report.

Product Category	Gross Loans as of June 30, 2003*	
	Dollar (000's)	Percent
Commercial & Industrial Including Commercial Real Estate	7,579	33%
Residential Mortgage Loans	10,878	48%
Individuals	3,988	18%
Construction & Land Development	310	1%
All Other	60	nil
Total Loans	22,815	100%

*Data obtained from call report.

We chose the primary loan types based on the bank's outstanding balances, information gathered from previous regulatory activity, and discussions with management about loan originations. As indicated in the table above, the bank's primary loan types based on outstanding balances are residential mortgage loans and commercial loans. A third primary loan product is consumer loans written on an installment basis. Because most consumer loans are small dollar loans, it is not reflected as a primary loan product based on outstanding balances. However, FNB makes a significant number of consumer loans so we included it as a primary loan type for evaluation purposes.

DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area (AA) is comprised of Pleasants County, West Virginia in its entirety. The bank's main office is located in St. Marys, the seat for county government for Pleasants County. FNB's AA meets the requirements of the CRA and does not arbitrarily exclude any low- or moderate-income areas of the county. The county is sparsely populated with a total population of 7,546 according to 1990 census data. The 2000 census was 7,514 for a slight decline of .4% in population. Financial institutions in neighboring Wood and Tyler Counties also serve residents of Pleasants.

Pleasants County is located in the northwestern portion of the state, approximately 30 miles north of Parkersburg and approximately 100 miles north of the state capital of Charleston. Bordered by the Ohio River that makes a natural barrier to the west and a hilly plateau to the east, most of the population resides in the City of St. Marys or north or south of St. Marys. According to the 1990 U.S. Census, the AA consists of only two census-track areas (CT). Both of these tracts are middle-income. There are no low-income, moderate-income, or upper-income tracts identified within the AA. The counties two CTs are approximately the same geographic size and the CT that includes the City of St. Marys has approximately 60% of the population. According to census data, two-thirds of the families residing in the AA are considered to be in the middle and upper-income levels.

According to the U.S. Department of Housing and Urban Development (HUD), the 1990 Census Median Family Income was \$26,104 and West Virginia's updated 2002 median family income

was \$32,400. There are 2,077 families making up 2,773 households within the AA. The income levels of these households are 23.01% low-income, 12.95% moderate-income, 16.91% middle-income, and 47.14% upper-income. Of these households, 32% receive social security income, while another 11% receive other types of public assistance. Housing types are typical for rural West Virginia as 70% of the housing units are owner occupied. The demographic characteristics of FNB's AA are shown below.

Demographic Characteristics of Assessment Area		
Number of Geographies by Income Level:	Low-Income	0
	Moderate-Income	0
	Middle-Income	2
	Upper-Income	0
	N/A	0
Percent of Geographies by Income Level:	Low-Income	0
	Moderate-Income	0
	Middle-Income	100
	Upper-Income	0
	N/A	0
Percent of Population in each Tract:	Low-Income	0
	Moderate-Income	0
	Middle-Income	100
	Upper-Income	0
	N/A	0
Percent of Families by Income Level:	Low-Income	18.87
	Moderate-Income	14.40
	Middle-Income	19.11
	Upper-Income	47.62
Median Housing Characteristics:	Median Home Value	\$50,704
	Percent Owner-Occupied Units	70.00
	Median Gross Rent	\$256
Median Income Data:	1990 Census Median Family Income	\$26,104
	Updated Median Family Income	\$32,400

The AA economy has experienced little change during the evaluation period. Pleasants County presently has one of the highest unemployment rates in the state at 11.7%, while the rate for the state is at 6.6%. The unemployment rate is reflective of no new jobs being created in the AA and recent layoffs in the chemical and utility industries.

Based on census information, 79% of the Pleasant County businesses employ less than 49 employees. The area's top four industries by distribution of employees are manufacturing, utilities, education and health services, and state and local governments. The largest employers are the County Board of Education, a West Virginia state correctional facility, and the Willow Island electric power plant. Many residents of Pleasants County commute to nearby Parkersburg, WV and Marietta, OH for employment.

Competition in this AA is strong for a rural area and consists of four branches of Federal Deposit Insurance Corporation (FDIC) insured institutions representing three banks. All three are similarly situated in size and local ownership. FNB has two offices and a drive-through and approximately 42% of the market (see the deposit market share graph on the next page). Banks situated in adjacent counties also constitute competition for the Pleasants County market. Two local credit unions also compete for deposits.

Community Contact

We conducted two community contacts during this examination. One was a representative from the City of St. Marys and the second a Director on the County Development Authority in FNB’s AA. Information obtained from them indicated that financial institutions are readily accessible and there were no special credits needs identified. Financial institutions are adequately meeting reasonable residential and business financing needs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The average FNB’s loan-to-deposit ratio is reasonable in view of the community’s credit needs, demand for credit, and high level of competition among local financial institutions. As of June 30, 2003, the bank’s loan-to-deposit ratio was 61.3%. The quarterly loan to deposit ratio since the last Public Evaluation equals 71.3%. This compares favorably to all banks of similar asset size to FNB headquartered in non MSAs of West Virginia. This quarterly average ranged from 58% to 67%.

There is a high level of competition within the banks AA between FNB and a locally owned state bank. Both are relatively small in asset size and hold similar management philosophies. An analysis of market share deposits according to the June 30, 2002 Market Share Report, published by the FDIC, reveals a strong presence in the market. FNB ranked second within the local banking market, in terms of market share with 42% of the deposits.

Institution Name	Deposit Market Share Inside of Market
Pleasants County Bank	44.44%
FNB of St. Marys	42.17%
Union Bank, Inc.	13.38%

Lending in Assessment Area

The bank originated a majority of its loans within their assessment area. In order to determine this, we analyzed a sample of FNB’s loan portfolio originated since the last CRA examination. The sample consisted of residential real estate mortgage loans (REM), loans made for consumer purposes including dealer paper, and small business loans. This sample consisted of 38 REM loans that totaled \$2,597M, 65 consumer loans for \$313M, and 20 business loans totaling \$2,112M. This sample is representative of the bank’s lending philosophy and overall lending

performance in addressing the needs within their AA. The consumer result was somewhat skewed by the indirect loans that have been written to borrowers outside the AA. Of the 28 loans made outside the AA, seven of these were dealer loans. Most of the auto dealers and a boat dealer that have loans approved by FNB are located in Pleasants County, but serve a wider market. The relationship between the bank and these dealers is a routine banking practice serving the business needs of the dealer. Absent these loans in the sample, the number and dollar percentages would be much higher for consumer loans and total loans inside the AA.

The table below summarizes the results of our review:

Lending Inside/Outside the Assessment Area (AA)								
	REM		Consumer		Small Business		Total loans	
	#	\$	#	\$	#	\$	#	\$
Inside AA	66%	54%	57%	55%	50%	46%	59%	50%
Outside AA	34%	46%	43%	45%	50%	54%	41%	50%
Total	100%	100%	100%	100%	100%	100%	100	100%

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

The distribution of loans, given the demographics of the AA, reflects reasonable penetration among borrowers of different income levels (including low- and moderate-income) and businesses of different sizes. The analysis of lending to borrowers of different income levels and businesses of different sizes was completed using the sample of loans made inside/outside FNB's AA. This analysis therefore consisted of 25 REM loans and 10 business loans made in the AA.

The table below illustrates the distribution of the 25 REM loans within the income levels compared to the percentage of families in each income level. The 25 loans represented \$1,396M in originating amounts. The distribution of REM loans to low and moderate-income borrowers is reasonable. The distribution for low-income is somewhat lower than the distribution of low-income families, however, this is mitigated by the fact that the majority of low-income families are below poverty level and the level for low-income families is \$16M or less. The distribution of REM loans to moderate-income borrowers is excellent and exceeds the percent of moderate-income families in the AA.

Borrower Distribution of Real Estate Mortgage Loans				
Family Income	Low	Moderate	Middle	Upper
% Families	19	14	19	48
% Bank # Loans	4	20	4	72
% Bank \$ Loans	2	10	1	87

The distribution of loans to small businesses (businesses with \$1 million or less in gross annual

revenues) is excellent. From the original sample of 20 business loans taken in determining lending inside/outside the AA, we analyzed the loans made inside the AA. The total loaned in these 10 loans was \$961M. Only one of these was made to businesses with \$1 million or more in gross annual revenues. The percentage of bank loans (by number and dollar) is slightly lower than the percentage of businesses in the AA, but is reasonable given the credit needs described under the description of the AA. Six in the loan analysis or 60% were small loans originating for less than \$100,000.

Businesses With Revenues of \$1 million or less		
% of Businesses in AA	% # Bank Loans	% \$ Bank Loans
91%	90%	85%

Geographic Distribution of Loans

The AA contains only two CTs and both are middle-income geographies. There are no low-, moderate-, or upper-income geographies in the AA. Therefore all loans originated in this community were in middle-income tracts. To determine the geographic distribution throughout the AA, we analyzed the consumer and real estate loans from our original sample. The consumer review compared the percent of population in each tract and the real estate loan review compared the percent of owner-occupied housing in each tract.

Based on our original sample of 65 consumer loans in which 37 borrowers lived inside the AA, the 37 loans were plotted to determine lending distribution throughout the AA. The loans analyzed represented \$172M in originating amounts and addresses the credit needs of the local community. The geographic distribution of loans reflects a reasonable dispersion throughout the AA by lending equally in both tracts and the bank’s lending pattern does not exhibit any conspicuous gaps or areas of low penetration.

Consumer Lending Throughout AA			
Income Tracts	9621	9622	Total
% of AA population	33%	67%	100%
% by #	46%	54%	100%
% by \$	46%	54%	100%

Based on our original sample of 38 REM loans of which 25 were inside the AA, the loans were plotted to determine lending throughout the AA. The 25 REM loans represented \$1,396M in originating amounts. According to U.S. Census data 2,773 households exist in the AA. The geographic distribution of loans reflects a reasonable dispersion throughout the AA by lending in both tracts and the bank’s lending pattern does not exhibit any conspicuous gaps.

Real Estate Mortgage Loans Throughout AA			
Income Tracts	9621	9622	Total
% owner occupied housing	37%	63%	100%
% by #	32%	68%	100%
% by \$	26%	74%	100%

Responses to Complaints

FNB has not received any CRA-related complaints since the March 6, 1998 CRA examination.

Fair Lending Review

An analysis of the most recent year's public comments, consumer complaint information, and lending data was performed 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. The latest comprehensive fair lending exam was performed in February 1998.