



Public Disclosure

June 30, 1998

Community Reinvestment Act Performance Evaluation

First National Bank
Charter Number 13742
112 West Market Street
P.O. Box 57
Orrville, Ohio 44667

**Comptroller of the Currency
Cleveland Field Office
Summit Office Park, Suite 530
3 Summit Park Drive
Independence, Ohio 44131**

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 CRA performance of **First National Bank (FNB)** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **June 30, 1998**. 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.

First National Bank has a mixed record of meeting the credit needs of its entire community. While it has a relatively low level of credit extended, the proportion of its lending within the assessment area is good and FNB loan distribution among different geographies and income levels is reasonable given this market and FNB's branch configuration.

- FNB's loan-to-deposit ratio is low compared to other banks in its market area.
- A substantial majority of the loans made are located within its assessment area.
- FNB's assessment area covers all or part of four counties, yet the vast majority of its lending is done in one of those counties. However, the lending pattern reasonably reflects the bank's branch distribution.
- FNB's lending levels to borrowers of different income levels is reasonable.

DESCRIPTION OF INSTITUTION

First National Bank was chartered in 1881. Since the mid-1960's it has been slowly increasing the markets it serves. While some new branches have been created, FNB's preferred strategy has been to purchase institutions or branches to broaden its market area. The two most recent branch acquisitions are in Lodi (from the predecessor of Key Bank N.A. in 1989) and Seville (from Bank One, N.A. in 1994). These moved FNB into the southern Medina County market.

First National Bank Offices	
Name of Branch	Location
Main Office	112 W Market St, Orrville, OH 44667
West High Office	1320 W High St, Orrville, OH 44667
Northside Office	1720 N Main St, Orrville, OH 44667
Mt Eaton Office	15974 E Main St, Mt Eaton, OH 44659
Dalton Office	12 W Main St, Dalton, OH 44618
Smithville Office	153 E Main St, Smithville, OH 44677
Kidron Office	4932 Kidron Rd, Kidron, OH 44636
Midway Office	US 30 at C.R. 44, Orrville, OH 44667
Lodi Office	106 Ainsworth St, Lodi, OH 44254
Seville Office	121 Greenwich Rd, Seville, OH 44273

FNB also operates ATM's that are available 24 hours per day at six of its branches, and a free standing ATM at *The Amish Door Restaurant* in Wilmot, Ohio. This last ATM does not accept deposits. The ATM's are part of the MAC™ network.

FNB continues to focus on meeting the credit needs of its communities, especially those related to small businesses.

As of June 30, 1998, FNB had total assets approaching \$200,000,000. It offers a range of products consistent with its size. These include commercial, real estate, consumer, and credit card loans; deposit accounts; and various consumer and business services. Its branch network makes it well positioned to provide financial services to eastern and northern Wayne County and southern Medina County.

FNB has a number of competitors throughout its assessment area. Principal among these are: The Savings Bank & Trust, Orrville; Wayne County National Bank, Wooster; and Signal Bank, N.A., Wooster. During the preparation of this review, Signal Bank announced an agreement to be acquired by FirstMerit Corporation, Akron. This will bring a significantly larger competitor into FNB's market area.

FNB's most recent CRA Public Evaluation was dated March 1, 1995. Its performance was rated "Satisfactory." FNB is owned by a holding company (National Bancshares Corporation). It is the only operating subsidiary of that company. No banking operations are conducted through other affiliated companies. There are no financial or legal impediments preventing FNB from fulfilling its requirements under CRA.

DESCRIPTION OF ASSESSMENT AREA

Overall Assessment Area

The assessment area defined by FNB includes all of Wayne County, the northern portion of Holmes County, the southern portion of Medina County, and the western portion of Stark County. Management selected this assessment area primarily based on FNB's loan distribution.

FNB's assessment area includes portions of two Metropolitan Statistical Areas (MSAs). However, these areas are small relative to both the size of the MSAs and the overall size of the assessment area. The portions of the MSAs in the assessment area remain predominantly rural and similar to the non-MSA portion of the assessment area. While the bank's assessment area is reasonable, it is important to consider that two counties (Stark and Holmes) that are in FNB's assessment area do not have FNB branches. FNB has committed to try to meet the needs of those communities but faces additional challenges without having nearby branches.

Because of differences in median family income figures between each of the MSA counties and the non-MSA counties, performance in each segment of FNB's assessment area will be looked at separately.

An assessment area-wide unemployment figure cannot be readily determined. However, it is evident from a review of the figures provided that unemployment levels in this area are generally lower than those for the State of Ohio.

The total population of FNB's assessment area was approximately 250,000 people as of the 1990 census. There were approximately 88,000 housing units in the assessment area, with an overall occupancy rate of 96%. Owner-occupied units made up 70% of

the housing stock. The median housing age is 36 years.

The population within the assessment area is distributed among the four counties as follows:

Chart 1

Population by County

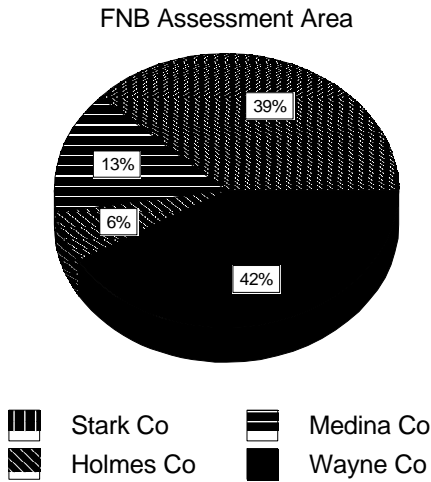
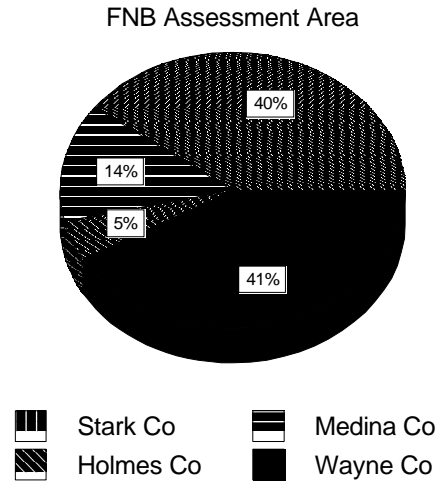


Chart 2

Families by County



Family income levels within the assessment area can also be compared to family income levels across the state of Ohio:

Chart 3

FNB Assessment Area

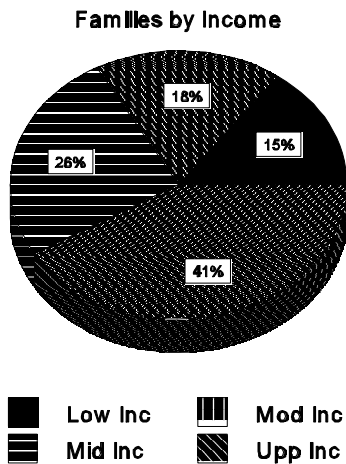
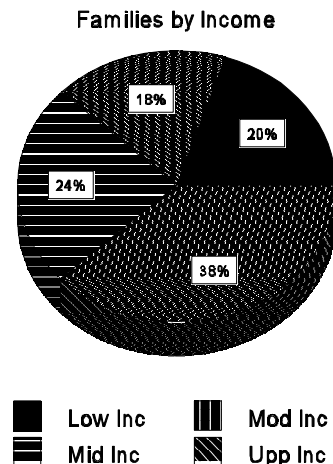


Chart 4

State of Ohio



The income distribution of the census tracts and block numbering areas (BNAs) within the assessment is shown in Table 1.

Table 1

Income Distribution - FNB Assessment Area		
	# of Geographies	% of Geographies
<i>Low-Income</i>	0	0%
<i>Moderate-Income</i>	5	8%
<i>Middle-Income</i>	43	73%
<i>Upper-Income</i>	11	19%
<i>Total</i>	59	100%

Non-MSA areas:

Wayne and Holmes County portions of the Assessment Area

The historical base of FNB is in Wayne County. The total population of Wayne County was approximately 100,000 people as of the 1990 census. There were approximately 38,000 housing units in the county at that time. The overall occupancy rate was 96%. Owner-occupied units made up 70% of the housing stock. The median housing age is 36 years.

The two principal cities in the county are Wooster (the county seat) and Orrville. Wooster had approximately 30,000 residents and Orrville approximately 8,000 as of the 1990 census. Orrville's population grew to approximately 8,400 by 1997. Both Wooster and Orrville are home to large companies. Rubbermaid Corporation is headquartered in Wooster and the J.M. Smucker Company is headquartered in Orrville. Other manufacturing businesses in the area are related to either these two companies or the durable goods (automotive) industries. There are approximately 3,300 businesses and farms throughout Wayne County. Of these, it is estimated that 75% are small businesses or small farms (sales revenues less than \$1,000,000). Wooster is also home to The Ohio State University's Agricultural Research and Development Center, the Agricultural Technical Institute (a branch campus of OSU) and The College of Wooster. This economic diversity has resulted in a strong economic base with low levels of unemployment. The unemployment rate for Wayne County as of June 30, 1998 was 3.6% compared to 4.5% for the entire state of Ohio. These low

unemployment levels are reflected in the number of low- and moderate income families

in Wayne County. The 1998 HUD updated median family income figures for non-metropolitan areas in Ohio is \$40,500. Using this figure:

Table 2

Block Numbering Areas Arranged by Income Distribution (Wayne County)	
	# of BNA's
<i>Low-Income</i>	0
<i>Moderate-Income</i>	1
<i>Middle-Income</i>	23
<i>Upper-Income</i>	8
<i>Total</i>	32

Table 3

Families Distributed Across Income Levels (Wayne County)	
	% of Families
<i>Low-Income</i>	14.45%
<i>Moderate-Income</i>	17.23%
<i>Middle-Income</i>	25.85%
<i>Upper-Income</i>	42.46%
<i>Total</i>	100.00%

Two BNAs in Holmes County are included in the assessment area because of ties between the Amish population in that area and the market/auction at Kidron where FNB operates a branch. The total population of Holmes County was approximately 33,000 people as of the 1990 census. Of these, approximately 14,000 (42%) live within the assessment area. There were approximately 3,600 housing units in these two BNAs with an overall occupancy rate was 96%. Owner-occupied units made up 76% of the housing stock. The median housing age is 30 years.

There are no cities within these BNAs as the area is very rural. There are very few villages. There are approximately 400 businesses and farms in the two BNAs. Of these, it is estimated that 75% are small businesses or small farms.

The characteristics of this segment of the assessment area have resulted in a strong economic base with low levels of unemployment. The unemployment rate for Holmes County, as of June 30, 1998, was 3.5% compared to 4.5% for the state of Ohio. These low unemployment levels are reflected in the number of low- and moderate-income families in the Holmes County portion of the assessment area.

The 1998 HUD updated median family income figures for non-metropolitan areas in Ohio is \$40,500. Using this figure:

Table 4

Block Numbering Areas Arranged by Income Distribution (assessment area portion of Holmes County)	
	# of BNA's
<i>Low-Income</i>	0
<i>Moderate-Income</i>	0
<i>Middle-Income</i>	2
<i>Upper-Income</i>	0
<i>Total</i>	2

Table 5

Families Distributed Across Income Levels (assessment area portion of Holmes County)	
	% of Families
<i>Low-Income</i>	23.25%
<i>Moderate-Income</i>	21.41%
<i>Middle-Income</i>	24.00%
<i>Upper-Income</i>	31.34%
<i>Total</i>	100.00%

In interpreting the family income levels in this area, it is imperative to consider that significant amounts of labor that would be hired out (thus generating income) in many communities are done in common (without generating income) in this area because of the Amish presence. This will result in less overall income in the community and generally lower levels of income being reported. It is also noted here that the Amish desire to live apart from the general society places some constraints on FNB's ability to market its products and services to them.

MSA Areas:

MSA #1640 (Cleveland-Lorain-Elyria)

The Medina County portion of the assessment area was added due to the purchase of two branches from other financial institutions. Both branches are in the far southern portion of Medina County. This section of Medina County is still heavily rural, with an economy more similar to Wayne County's than either the rest of Medina County's or the entire Cleveland MSA's.

The total population of Medina County was approximately 122,000 as of the 1990 census. Of these, approximately 32,000 (26%) live within the eight census tracts in FNB's assessment area. There were approximately 12,000 housing units in these census tracts. The overall occupancy rate was 96%. Owner-occupied units made up 73% of the housing stock. The median housing age is 36 years.

The three principal communities in the eight census tracts are Wadsworth, Lodi, and Seville. There is not a dominant employer in the area. There is a major insurance company located in the community of Westfield Center. There are approximately 1,200 businesses and farms throughout this section of Medina County. Of these, it is estimated that 70% are small businesses or small farms.

This area is experiencing significant growth. The most visible example of growth is the new Buckeye Farms outlet mall in Lodi. Economic growth and diversity has resulted in a strong economic base, with low levels of unemployment. The unemployment rate for Medina County, as of June 30, 1998, was 3.4%, compared to 4.5% for the state of Ohio. These low unemployment levels are reflected in the number of low- and moderate-income families and/or areas in the Medina County portion of the assessment area. The 1998 HUD updated median family income figures for MSA #1680 is \$49,400. Using this figure:

Table 6

Census Tracts Arranged by Income Distribution (assessment area portion of Medina County)	
	# of BNA's
<i>Low-Income</i>	0
<i>Moderate-Income</i>	0
<i>Middle-Income</i>	7
<i>Upper-Income</i>	1
<i>Total</i>	8

Table 7

Families Distributed Across Income Levels (assessment area portion of Medina County)	
	% of Families
<i>Low-Income</i>	14.96%
<i>Moderate-Income</i>	18.18%
<i>Middle-Income</i>	26.68%
<i>Upper-Income</i>	40.18%
<i>Total</i>	100.00%

MSA #1320 (Canton - Stark County)

FNB has no branches in this portion of its assessment area. The bank estimates that 5-10% of its business is generated by persons who live in the western portions of Stark County but work in businesses located in Wayne County. Again, most of the area of the Canton MSA included within the assessment area is rural.

The total population of Stark County was approximately 370,000 as of the 1990 census. Of these, approximately 92,000 (26%) live within the seventeen census tracts in FNB's assessment area. There were approximately 35,000 housing units in the seventeen census tracts. The overall occupancy rate was 96%. Owner-occupied units made up 71% of the housing stock. The median housing age is 36 years.

The major community in this portion of the assessment area is the City of Massillon. The largest business in this community is Republic Engineered Steel. A number of other businesses related to steel finishing and handling are also located in the community. There are a total of approximately 2,300 businesses and farms throughout this section of Stark County. Of these, it is estimated that 80% are small businesses or small farms.

This area is heavily dependent on the durable goods sector of the economy. As a result, it shows significantly more variation in employment levels than the rest of FNB's assessment area. The unemployment rate for Stark County, as of June 30, 1998, was 4.3%, compared to 4.5% for the state of Ohio. These unemployment levels are reflected in the number of low- and moderate-income families and/or areas in the Stark County portion of the assessment area. The 1998 HUD updated median family income figures for MSA #1320 is \$44,100. Using this figure:

Table 8

Census Tracts Arranged by Income Distribution (Stark County portion of FNB assessment area)	
	# of BNA's
<i>Low-Income</i>	0
<i>Moderate-Income</i>	4
<i>Middle-Income</i>	11
<i>Upper-Income</i>	2

<i>Total</i>	17
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Table 9

Families Distributed Across Income Levels (Stark County portion of FNB assessment area)	
	% of Families
<i>Low-Income</i>	15.13%
<i>Moderate-Income</i>	17.97%
<i>Middle-Income</i>	25.51%

**Families Distributed
Across Income Levels
(Stark County portion of FNB
assessment area)**

% of Families

<i>Upper-Income</i>	41.37%
<i>Total</i>	100.00%

FNB has very few Stark County customers who reside east of Massillon. Given this, and the fact that FNB has no branches in Stark County, the inclusion of only a portion of Stark County in the assessment area is reasonable.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratios

As can be seen in table 10, FNB's loan-to-deposit ratio has been consistent over the review period. The average loan-to-deposit ratio has been 53.1%.

Table 10

FNB Loan-to-Deposit Ratios							
<i>Jun-96</i>	<i>Sep-96</i>	<i>Dec-96</i>	<i>Mar-97</i>	<i>Jun-97</i>	<i>Sep-97</i>	<i>Dec-97</i>	<i>Mar-98</i>
54.1%	53.9%	52.0%	52.7%	53.4%	53.9%	51.8%	52.8%

It is important to consider the loan-to-deposit ratio in light of the general economic conditions of the assessment area and the loan to deposit levels of other similar banks in the area. The general economic conditions of the area have been discussed previously in the Description of Assessment Area comment.

**Loan-to-Deposit Ratio Comparison
FNB Orrville vs Selected Area Banks**

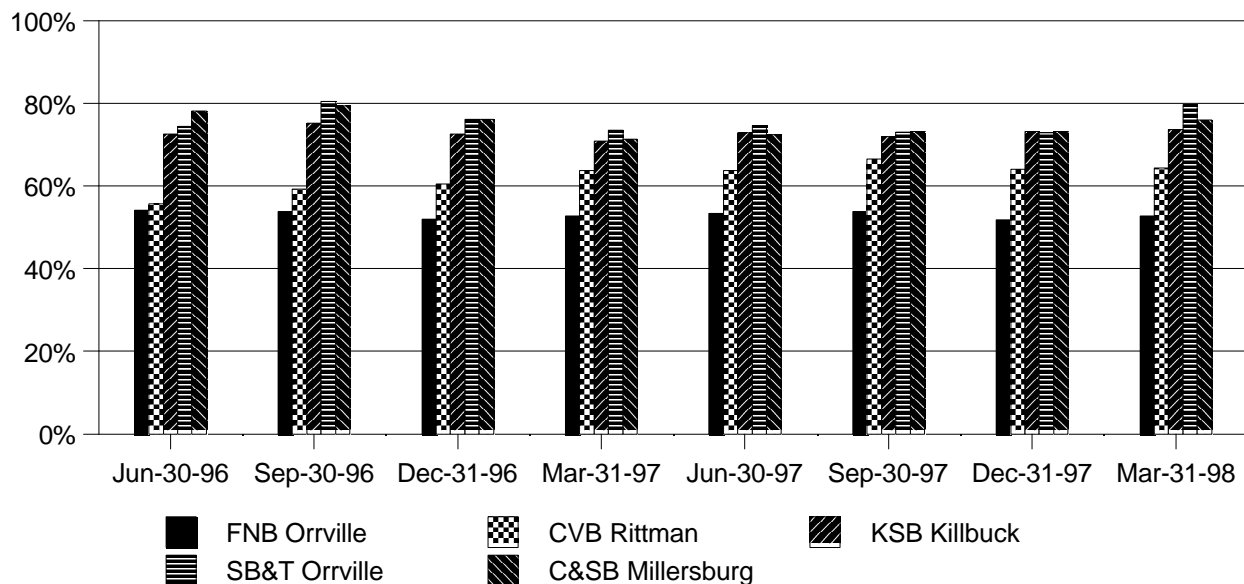
The general economic conditions in the assessment area are good, with an economy that is operating with lower unemployment levels than those in the rest of the state of Ohio. Comparing FNB's loan-to-deposit ratios to those of other local banks (The Savings Bank & Trust Company, Orrville; Chippewa Valley Bank, Rittman; The Commercial and Savings Bank, Millersburg; and The Killbuck Savings Bank, Killbuck) shows that FNB's lending levels are lower than other area banks. Given the strength of the local economy and FNB's size, its loan-to-deposit ratio is considered low, but reasonable.

Comparison of Credit Extended Inside and Outside of the Assessment Area

In all three categories, FNB does a substantial majority of its lending within its assessment area. The percentage (of the total number) of loans extended inside the assessment area for each portfolio is shown in Table 11.

Table 11

Type of Loan	% Inside Assessment Area	% Outside Assessment Area
<i>Installment</i>	82%	18%
<i>Mortgage</i>	87%	13%
<i>Commercial</i>	88%	12%



Distribution of Credit Within the Assessment Areas by Geography

FNB does not regularly track the geographic distribution of credit within its assessment area. Given the information provided by the bank, we were able to determine a distribution of loans among the four counties in the assessment area, using mailing addresses. This distribution analysis was performed on the entire portfolio, as opposed to only those loans made since the previous CRA examination. However, in an attempt to validate that our conclusions are a reasonable approximation of current activities, we also prepared a loan distribution using the 1997 and year-to-date 1998 HMDA-LAR reports. This analysis showed no significant differences from the figures for the entire portfolio. The distribution of loans among the four counties in the assessment area is shown in Charts 5 - 8.

Chart 5

FNB's Total Loans

Loan Distribution w/in AA

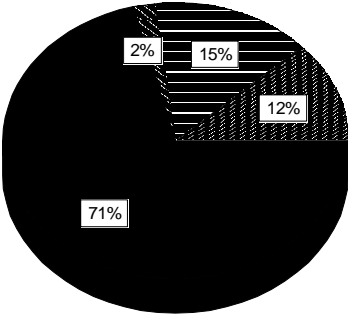
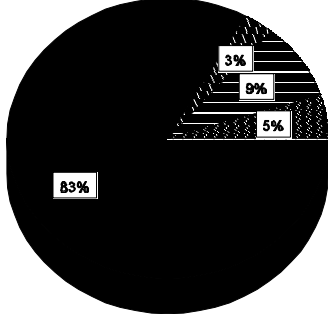


Chart 6

FNB's Commercial Loans

Loan Distribution w/in AA



It is apparent when comparing Charts 5 and 6 to the information contained in Charts 1 and 2 (page 4) that the volume of lending in Wayne County is not proportionate to the percentage of the assessment area's population residing in Wayne County. While 42% of the assessment area's population resides in Wayne County, 71% of FNB's total loans and 83% of FNB's commercial loans (by number of loans) are in Wayne County. Conversely, 39% of the population resides in Stark County, but only 12% of FNB's total loans and 5% of FNB's commercial loans are in Stark County.

The same patterns are noted in the installment and real estate lending portfolios, as shown in Charts 7 and 8. Wayne County, with 42% of the population, received 66% of FNB's installment loans and 77% of FNB's real estate loans. When this is compared to Stark County, which has 39% of the population but received 14% of FNB's installment loans and 10% of FNB's real estate loans, the disparities become apparent. The loan/population comparisons for Medina and Holmes Counties are reasonable.

However, it is not reasonable to expect FNB to serve the credit needs of Stark and Holmes Counties as well as it does the needs of Wayne and Medina Counties. Given the lack of FNB branches in Stark and Holmes Counties, the volume of lending generated there is reasonable.

Overall, FNB's lending distribution across the assessment area is reasonable.

Chart 7

FNB Installment Loans

Loan Distribution w/in AA

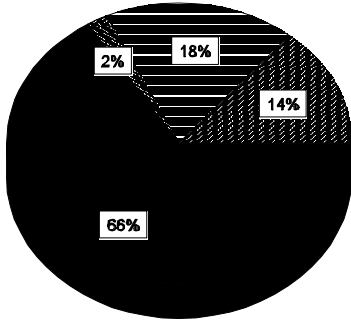
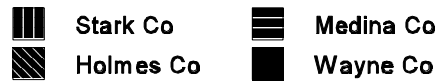
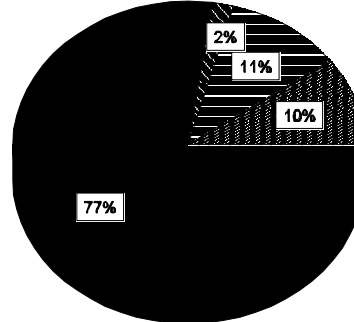


Chart 8

FNB Real Estate Loans

Loan Distribution w/in AA



Distribution of Credit Within the Assessment Areas by Borrower Income

For this analysis we used the 1997 and year-to-date 1998 HMDA-LARs. The following charts include approved loans within FNB's assessment area. The three major types of loans tracked on these reports are purchase money mortgages, home improvement loans, and mortgage refinances.

Chart 9

1997 HMDA-LAR Loans

w/in AA; Shown by Income of Applicant

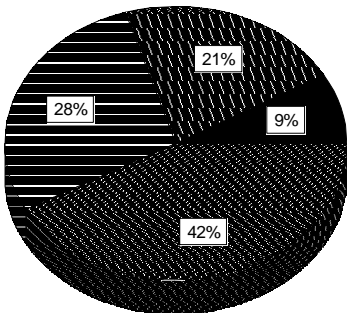
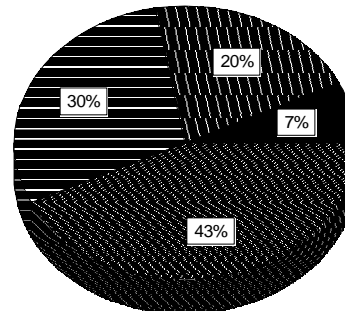


Chart 10

1998 HMDA-LAR Loans

w/in AA: Shown by Income of Applicant



Comparing this information to Chart 3 shows that the level of credit extended to upper-income borrowers is comparable to their presence in FNB's assessment area (41% of the population vs. 42% of the credit in 1997 and 43% in 1998). However, lending to low-income families is less comparable to their presence in the assessment area (15% of the population vs. 9% of the credit in 1997 and 7% in 1998). The overall distribution of loans by borrower income reflects a reasonable distribution among borrowers.

Review of Complaints

The bank received no CRA-related complaints since the last examination.

Conclusions with Respect to Fair Lending Analysis

During this examination we were not able to conduct a comparative file review due to the lack of a sufficient number of denied loans. Therefore, our fair lending review consisted of determining FNB's compliance with the technical requirements of the Equal Credit Opportunity Act. We found no exceptions during our review.