

PUBLIC DISCLOSURE

July 19, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

1st National Community Bank
Charter Number 21319

P.O. Box 976
East Liverpool, Ohio 43920

**Office of the Comptroller of the Currency
Cleveland Field Office
Three Summit Park, Suite 530
Independence, Ohio 44131-6900**

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

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community reinvestment Act (CRA) performance of the **1st National Community Bank (1NCB)** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **July 19, 1999**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25. The last CRA performance evaluation for this institution was prepared on April 18, 1996 and resulted in a "Satisfactory" evaluation.

INSTITUTION'S CRA RATING: This institution is rated *Satisfactory*.

A majority of loans originated by the bank are within the assessment area.

The bank's average loan to deposit ratio is acceptable.

The bank's HMDA geographic distribution and consumer geographic distribution are adequate.

The bank's HMDA borrower distribution is adequate.

The bank's consumer borrower distribution is good.

DESCRIPTION OF INSTITUTION

1st National Community Bank is a 62 million dollar independent institution with its main office in St. Clair Township, Ohio. The bank was founded in 1987 and has five (5) full service branches, two (2) of which were opened since the previous examination. Four (4) of the bank’s branch offices are located in Columbiana County, Ohio. The Calcutta branch is within two (2) miles of the main office. The Wal-Mart Department Store branch is also located in Calcutta. Previously, services at this office were limited to a cash-dispensing machine only. The Lisbon Office is approximately twenty (20) miles from the main office. The New Cumberland branch is located in Hancock County, West Virginia. Both the Wal-Mart and Lisbon branches are part of another phase in management’s plan to service the tri-state area. Though Wal-Mart is located in Calcutta, due to the nature of the store, its customer base reaches an extended area up to 50 miles. The bank offers Automated Teller Machine services (through the MAC network) at all branches, with the exception of the main office.

The bank is primarily a consumer lender. The loan portfolio comprises 48% of the bank’s total assets. As of June 1999, real estate lending of \$17.5 million represented 58% of the bank’s lending portfolio. Commercial lending of \$4.6 million and consumer installment lending of \$8 million represented 27% and 15% respectively.

BANKING HOURS					
	Main Office	Calcutta	Lisbon	Wal-Mart	New Cumberland
Lobby	8am-5pm M-F 8am-1pm Sat	9am-4:30pm M-F 9am-1pm Sat	9am -4pm M-Th 9am-6pm F 9am-12pm Sat	10am-8pm M-Sat 1pm-5pm Sun	9am-4pm M-F 9am-12pm Sat
Drive-Up	8am-5:30pm M-F 8am-3pm Sat	9am-7pm M-F 9am-1pm Sat	9am-5pm M-F 9am-12pm Sat	N/A	9am-5pm M-F 9am-12pm Sat
ATM	N/A	24 hour drive-up	24 hour drive-up	24 hour walk-up	Retail business hours*

*The New Cumberland ATM is located within a community grocery store and is accessible to customers during normal store hours.

There were no major changes in general banking hours, except the extended hours at the new Wal-Mart Department Store branch.

There are no current financial or legal impediments that could prevent the bank from meeting its community credit needs.

DESCRIPTION OF THE BANK’S ASSESSMENT AREA

The bank has two assessment areas. The bank did not arbitrarily exclude any low- or moderate-income geographies from its designated assessment area.

Columbiana County Assessment Area, Youngstown-Warren (MSA 9320)

The assessment area includes ten (10) census tracts within the MSA 9320. Of these, one (10%) is low-income, four (40%) are moderate-income and five (50%) are middle-income census tracts. No upper-income census tracts are contained within the bank’s

assessment area. This assessment area contains 80% of the bank's branches and 75% of its ATMs. The main office is 500 feet from the city limits of East Liverpool, Ohio that is located in the southern portion of Columbiana County on the Ohio River.

East Liverpool, Ohio once thrived from the steel and pottery industries. While previously severely depressed, recent infrastructure and façade renovations have revitalized the downtown areas. These improvements, coupled with the emergence of several antique and crafts stores, have brought trade back to the community. The housing stock is, however, still old and in need of rehabilitation.

The bank has offices in Calcutta, Ohio. This area is primarily retail with anchor stores such as Wal-Mart, Hills, K-Mart, Penneys and several medium size strip shopping centers. This area has been growing since the early 1990's. Recent additions include a Sheetz Super Gas Station and an LPGA certified golf course.

The bank has an office in Lisbon, Ohio. Lisbon is the county seat in Columbiana County. This area is primarily agricultural. Commercial development to the area includes a new federal prison and county jail. Both facilities have brought new jobs to the community. The city has also undergone infrastructure improvements, with upgrades to the water/sewer lines, street lighting and sidewalks. These changes have encouraged many service-related businesses to the area.

The Department of HUD's updated median family income for 1999 in this assessment area is \$42,500. The 1990 Census Bureau lists the population at 39,668 persons which comprises 11,188 families. Of these families, 28% are low-income, 21% are moderate-income, 24% are middle-income and 27% are upper-income. At least 48% of the household income in the assessment area is derived from public assistance and social security. Households with incomes below the poverty level are 19%. Housing units consist of 65% which are owner-occupied. The housing units are primarily one-to-four family.

According to Business Demographic Data by Dunn and Bradstreet, during 1997, there were 1,219 businesses, including 17 agricultural-related entities, located within the assessment area. As of June 1999, the Columbiana County unemployment rate of 6.2% is significantly higher than the state of Ohio unemployment rate of 4.5%

Competition in the bank's assessment area is strong. In Columbiana County, INCB competes with many other similarly situated and larger financial institutions such as Bank One, N.A., National City Bank, Potters Savings and Loan Company, and Sky Bank.

A community organization targeted to assist in the needs of the community was contacted during the examination. This group indicated that the major credit needs for the county include continued urban renewal and affordable home equity and home-improvement loans for rehabilitation of the existing housing stock.

New Cumberland Assessment Area, Steubenville-Weirton, OH-WV (MSA 8080)

The assessment area includes one (1) branch in a middle- income area, New Cumberland, WV. New Cumberland is the county seat of Hancock County. This area is primarily agricultural, with private farms and orchards. The City of New Cumberland once thrived from the steel industry. The economy is now depressed and the community suffers from old housing stock. The community is within five (5) miles of the Moutaineer Park Resort, a well- known race track, casino and golf course.

In this assessment area the Department of HUD's updated median family income for 1999 is \$38,100. At least 58% of the household income in the assessment area is derived from public assistance and social security. Households with incomes below the poverty level are 16%. The 1990 Census Bureau lists the population at 1,363 persons which comprises 366 families. Housing units consist of 58% which are owner-occupied. The housing units are primarily one-to-four family. According to Business Demographic Data by Dunn and Bradstreet, during 1997 there were 87 businesses, including 2 agricultural-related entities, located within the assessment area. As of June 1999, the Hancock County unemployment rate of 4% was lower than the state of West Virginia unemployment rate of 6%.

Competition is very strong in the assessment area from other financial institutions, including Hancock County Savings Bank and Sky Bank.

DEPOSIT SHARE INFORMATION

Deposit share information for the assessment area was ascertained using deposit information provided by the Federal Deposit Insurance Corporation as of June 30, 1998. The information groups data by county. It lists total deposits, the number of bank offices within the county, and banks' market shares. Within Columbiana County, INCB captured 4% of the total deposit market. As of June 1998, the New Cumberland office was not established.

CONCLUSIONS WITH RESPECT TO THE BANK'S PERFORMANCE IN YOUNGSTOWN-WARREN (MSA 1680)

IN AND OUT RATIO

The bank made a substantial majority of its consumer loans and a majority of its HMDA loans in its assessment area. This Public Evaluation covers the bank's lending activity of HMDA loans and consumer loans for the period January 1997 through June 1999. See the Table below detail.

1ST NATIONAL COMMUNITY BANK RECORD OF LENDING								
	Within Assessment Area				Outside Assessment Area			
	#	%	\$ (000)	%	#	%	\$ (000)	%
HMDA Loans	223	75%	8,910	74%	74	25%	3,220	26%
Consumer Loans	1,183	98%	6,639	99%	20	2%	79	1%

LOAN TO DEPOSIT RATIO

The bank's loan to deposit ratio is acceptable. The average loan to deposit ratio for the quarters beginning January 1997 through June 1999 is 57.7%. Although the peer (based on asset size) banks average a higher loan to deposit ratio, the bank's loan to deposit ratio has been affected by strong competition. Also, the bank's deposits have grown rapidly. Several factors occurred in the bank's internal operations within the last year that affected loan growth, including the loss of its senior loan officer and significant time devoted to the year 2000 efforts. See Tables below for detail.

LOAN TO DEPOSIT RATIO BY QUARTER-1NCB									
1Q97	2Q97	3Q97	4Q97	1Q98	2Q98	3Q98	4Q98	1Q99	2Q99
64.5%	63.3%	60.1%	59.9%	55.3%	53.1%	56.4%	56.1%	52.2%	56.0%

LOAN TO DEPOSIT RATIO BY QUARTER-PEER									
1Q97	2Q97	3Q97	4Q97	1Q98	2Q98	3Q98	4Q98	1Q99	2Q99
66.2%	68.0%	68.3%	67.8%	69.3%	70.1%	70.0%	68.7%	69.0%	NA

LENDING WITHIN THE ASSESSMENT AREA

This Public Evaluation covers the bank's lending activity of HMDA loans and consumer loans for the period January 1997 through June 1999. The HMDA analysis includes all loans. The consumer analysis is based on a sample of 20 consumer loans originated during 1999. 1NCB's primary lending focus is directed towards residential real estate and consumer lending. Home mortgage lending is important as it was identified as an important credit need by a community group.

The bank's ability to make loans in the assessment area is highly affected by extremely strong competition from other small and large financial institutions in the assessment area. In the low- income geography, the high percent of households below the poverty level (38%) also make it difficult to lend in this assessment area.

GEOGRAPHIC DISTRIBUTION

This analysis is based on the bank's lending performance for home purchase, home-improvement and refinance loans in geographies, by income level, in the assessment area. See the Table below for detail.

HMDA GEOGRAPHIC DISTRIBUTION*						
	Home Purchase		Home Improvement		Refinance	
	% bank loans	% owner-occ	% bank loans	% owner-occ	% bank loans	% owner-occ
Low	2%	3%	2%	3%	3%	3%
Moderate	25%	36%	27%	36%	30%	36%
Middle	73%	61%	71%	61%	67%	61%
Upper	0%	0%	0%	0%	0%	0%
NA	0%	0%	0%	0%	0%	0%

* Based on 1999 HUD income data

Home Mortgage Loans

INCB's HMDA geographic distribution is adequate. The bank's HMDA geographic distribution in low- income geographies is consistent with the percent of low- income geographies in the assessment area. However, the bank's HMDA geographic distribution in moderate- income geographies is less the percent of moderate- income geographies in the assessment area. There were no gaps in the bank's HMDA lending.

Home Purchase Loans

The bank's 2% of home purchase loans in low- income geographies is consistent with the 3% of owner- occupied units in low- income geographies in the assessment area. The bank's 25% of home purchase loans in moderate- income geographies is less than the 36% of owner- occupied units in moderate- income geographies in the assessment area.

HMDA Geographic Distribution -- Home Purchase Loans				
Tract Income	# loans within tract	% loans within tract	\$ dollars within tract	% dollars within tract
Low	1	2%	11	1%
Moderate	12	25%	562	28%
Middle	35	73%	1,417	71%
Upper	0	0%	0	0%
N/A	0	0%	0	0%

Market Share

The bank has adequate market share. Market information for 1997 shows the bank as the 9th largest lender of home purchases in the assessment area. The bank's overall market share for home purchases is 3%. The bank had no market share of home purchase loans

in low- income geographies in 1997. The market share of home purchase loans in moderate- income geographies is 3%.

Home- Improvement Loans

The bank's 2% of its home- improvement loans in low- income geographies is consistent with the 3% of the percent of owner- occupied units in low- income geographies in the assessment area. The bank's 27% of home- improvement loans in low- income geographies is less than the 36% of owner- occupied units in the assessment area.

HMDA Geographic Distribution -- Home Improvement Loans				
Tract Income	# loans within tract	% loans within tract	\$ dollars within tract	% dollars within tract
Low	1	2%	13	2%
Moderate	13	27%	196	24%
Middle	35	71%	613	74%
Upper	0	0%	0	0%
N/A	0	0%	0	0%

Market Share

The bank has adequate market share. Market information for 1997 shows the bank as the 9th largest lender of home- improvement loans in the assessment area. The bank's overall market share for home- improvement loans is 4%. The bank's market share for home- improvement loans in low- income geographies is 6%. The bank's market share for home- improvement loans in moderate- income geographies is 1%.

Refinance Loans

The bank's 3% of refinance loans in low- income geographies is consistent with the 3% of owner- occupied units in low- income geographies in the assessment area. The bank's 30% of refinance loans in low- income geographies is less than the 36% of owner- occupied units in moderate- income geographies in the assessment area.

HMDA Geographic Distribution -- Home Refinance Loans				
Tract Income	# loans within tract	% loans within tract	\$ dollars within tract	% dollars within tract
Low	4	3%	227	4%
Moderate	37	30%	1,294	21%
Middle	84	67%	4,527	75%
Upper	0	0%	0	0%
N/A	0	0%	0	0%

Market Share

The bank has adequate market share. Market information for 1997 shows the bank as the 4th largest lender of refinance loans in the assessment area. The bank's overall market share of refinance loans is 8%. The bank's market share for refinance loans in low-income geographies is 18%. The bank shares the lead lender position with two other financial institutions. The bank's market share of refinances in moderate- income geographies is 9%.

Consumer Loans

The analysis is based on the bank's lending performance for consumer loans in geographies, by income level, in the assessment area. See the Table below for detail.

CONSUMER GEOGRAPHIC DISTRIBUTION						
Income Levels	% Low	% Moderate	%Middle	% Upper	% Other	Total
%Bank Loans	0%	20%	60%	0%	20%	100%
% Population	5%	37%	58%	0%	0%	100%

Note: Other represents two loans in West Virginia assessment area and two loans outside of bank's assessment area.

The bank's consumer loan distribution is acceptable. The bank's percent of consumer loans made in low- and moderate- income geographies is less than the percent of population in those geographies. This performance is not uncommon given the high level of competition in the assessment area.

Consumer Loan Geographic Distribution				
Tract Income	# loans within tract	% loans within tract	\$ dollars within tract	% dollars within tract
Low	0	0%	0	0%
Moderate	4	25%	29	31%
Middle	12	75%	64	69%
Upper	0	0%	0	0%
N/A	0	0%	0	0%

BORROWER DISTRIBUTION

The analysis is based on the bank's lending performance of home purchase, home-improvement and refinance loans to borrowers, by income level, living in the assessment area. See the Table below for detail.

HMDA BORROWER DISTRIBUTION *						
	Home Purchase		Home Improvement		Refinance	
	% bank loans	% families	% bank loans	% families	% bank loans	% families
Low	21%	28%	16%	28%	10%	28%
Moderate	27%	21%	22%	21%	24%	21%
Middle	35%	24%	29%	24%	30%	24%
Upper	15%	27%	33%	27%	36%	27%
NA	2%	0%	0%	0%	0%	0%

* Based on 1999 HUD income data

Home Mortgages

INCB's HMDA borrower distribution is adequate. The bank is adequately meeting community credit needs; however, the bank currently has no special mortgage programs. The bank's HMDA distribution to low- income borrowers is less than the percent of low-income families in the assessment area. However, all of the bank's HMDA originations to moderate- income borrowers exceed the percent of moderate- income families in the assessment area.

Home Purchase Loans

The bank's 21% of its home purchase loan originations to low- income borrowers is less than the 28% of low- income families in the assessment area. The bank's 27% of its home purchase loan originations to moderate- income borrowers exceeds the 21% of low-income families in the assessment area.

HMDA Borrower Distribution -- Home Purchase Loans				
Borrower Income	# loans to borrowers	% loans to borrowers	\$ dollars to borrowers	% dollars to borrowers
Low	10	21%	152	8%
Moderate	13	27%	386	19%
Middle	17	35%	659	33%
Upper	7	15%	745	38%
N/A	1	2%	48	2%

Market Share

The bank has adequate market share. Market data for 1997 shows the bank is the 9th largest lender of home purchase loans in the assessment area. INCB's home purchase market share for low- income borrowers is 2%. The bank's home purchase market share for moderate- income borrowers is 6%.

Home- Improvement Loans

The bank's 16% of home- improvement loan originations to low- income borrowers is less than the 28% of low- income families in the assessment area. The bank's 22% of home- improvement loan originations to moderate- income borrowers exceeds the 21% of moderate- income families in the assessment area.

HMDA Borrower Distribution -- Home Improvement Loans				
Borrower Income	# loans to borrowers	% loans to borrowers	\$ dollars to borrowers	% dollars to borrowers
Low	8	16%	51	6%
Moderate	11	22%	142	17%
Middle	14	29%	267	33%
Upper	16	33%	362	44%
N/A	0	0%	0	0%

Market Share

Market data for 1997 shows the bank is the 9th largest lender of home- improvement loans in the assessment area. 1NCB's has no market share for home- improvement loans to low- income borrowers. The bank's home- improvement market share for moderate- income borrowers is 1%.

Refinance Loans

The bank's 10% of refinance loan originations to low- income borrowers is less than the 28% of low- income families in the assessment area. The bank's 24% of refinance loan originations to moderate- income borrowers exceeds the 21% of moderate- income families in the assessment area.

HMDA Borrower Distribution -- Home Refinance Loans				
Borrower Income	# loans to borrowers	% loans to borrowers	\$ dollars to borrowers	% dollars to borrowers
Low	13	10%	275	5%
Moderate	30	24%	930	15%
Middle	37	30%	1,695	28%
Upper	45	36%	3,148	52%
N/A	0	0%	0	0%

Market Share

The bank has good market share. Market data for 1997 shows 1NCB as one of the two top lenders of refinance loans to low- income borrowers with one other financial institution. 1NCB's market share of refinance loans to low- income borrowers is 9%.

Both institutions each made six refinance loans during 1997. The bank is the lead lender of refinance loans to moderate- income borrowers with 14% market share.

Consumer Loans

The analysis is based on the bank’s lending performance for consumer loans to borrowers, by income level, in the assessment area. See the Table below for detail.

CONSUMER BORROWER DISTRIBUTION						
Income Levels	% Low	% Moderate	%Middle	% Upper	% NA	Total
%Bank Loans	35%	20%	25%	15%	5%	100%
% Families	28%	21%	24%	27%	0%	100%

Note: financial information was not available for 5% of the loans reviewed.

The bank’s distribution of consumer loans is good. The bank’s percent of consumer loans to low- and moderate- income borrowers is good. The bank’s percent of consumer loans to low- and moderate- income borrowers is consistent with or exceeds the percent of low- and moderate- income families in the assessment area.

Consumer Loan Borrower Distribution				
Borrower Income	# loans to borrowers	% loans to borrowers	\$ dollars to borrowers	% dollars to borrowers
Low	5	31%	22	23%
Moderate	4	25%	24	26%
Middle	4	25%	29	32%
Upper	2	13%	10	11%
N/A	1	6%	8	8%

Alternative Lending

The bank participates with two housing agencies that provide down payment assistance programs to low- and moderate- income persons. The Columbiana Community Action Agency provides 10% towards the borrower’s down payment. DFI Inc. provides 25% of the borrower’s down payment. INCB provides borrowers with conventional loan financing. Also the bank participates with gift funds to these agencies for down payment assistance.

Community Development

The bank participated in the Columbiana County Mini Loan Funds. This entity services small business financing needs. During the review period, the bank made three loans, its portion of the loans amounted to \$56,111.

RESPONSE TO COMPLAINTS

No consumer complaints have been filed regarding the bank's performance under the Community Reinvestment Act during this review period.

FAIR LENDING EXAMINATION

The Fair Lending review for INCB focused on the underwriting standards used to evaluate residential real estate refinance loans. This review compared five (5) declined female applicants to fifteen (15) approved male applicants. We reviewed the bank's underwriting process to determine whether female and male applicants are treated similarly. We found no evidence of discrimination based on gender. The bank is in compliance with anti-discrimination laws.

CONCLUSIONS WITH RESPECT TO THE BANK'S PERFORMANCE STEUBENVILLE-WIERTON, OH-WV (MSA 8080)

The State of West Virginia is not rated. This area was not reviewed in this Public Evaluation. This area is not consistent with the bank's overall lending activity. Limited lending activity in this area is noted and is considered insufficient to draw conclusions on the State. The bank's branch in this assessment area is one out of its total five branches. During the review period the bank had one home mortgage loan in this assessment area.