



PUBLIC DISCLOSURE

November 24, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Wellston
Charter No. 3565**

**101 East A Street
Wellston, Ohio 45692**

Office of the Comptroller of the Currency

**Central District Office
One Financial Place, Suite 2700
440 South LaSalle Street
Chicago, Illinois 60605**

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.

TABLE OF CONTENTS

General Information	3
Overall Conclusions	3
Description of Institution.....	4
Description of Assessment Area.....	5
Conclusions with Respect to Performance Criteria:	
Lending in Assessment Area.....	6
Lending to Borrowers of Different Incomes and Businesses of Different Sizes.....	7
Geographic Distribution of Loans.....	8
Loan-To-Deposit Ratio.....	9
Responses to Complaints.....	10
Other Considerations.....	10

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 First National Bank of Wellston** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of November 24, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.*

OVERALL CONCLUSIONS

Institution's CRA Rating: This institution is rated **SATISFACTORY**.

The First National Bank of Wellston (FNB) exhibits a satisfactory performance record. This rating is supported by:

- FNB is responsive to its community's credit needs as a substantial majority of the home mortgage and small business loans, originated between January 1, 1996 and September 30, 1998, was inside the bank's assessment area (AA). Ninety-five percent of the home mortgage loan sample and 100% of the small business loan sample were inside the bank's assessment area.
- The bank's business purpose lending activities reflect an excellent responsiveness to small businesses. Of the small business loans sampled, 89% were made to businesses with annual gross revenues less than \$250,000. FNB makes a substantial majority of their business loans to small businesses.
- FNB has a reasonable level of lending to borrowers of different income levels. Based upon our home mortgage loan sample, the bank makes loans to customers of all income levels, including 41% to low- and moderate-income borrowers.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- FNB's loan-to-deposit ratio is satisfactory at 65% as of June 30, 1998.

DESCRIPTION OF INSTITUTION

The First National Bank of Wellston (FNB), which is located in the Appalachian region of southern Ohio, had total assets of \$67 million at September 30, 1998. The main office is located in Wellston, Ohio in northeastern Jackson County. The bank has one branch office in the city of Jackson, approximately ten miles from the main office. Both offices have Automated Teller Machines (ATMs) and drive-up facilities. The bank also operates one off-site ATM at a local convenient store. The main office is located in a moderate-income geography. The Jackson office is in a middle-income geography.

FNB's primary business focus is lending to individuals (residential real estate and retail) and to small businesses. The bank offers standard products and services to accommodate the various borrowers within their AA. The bank will make an installment loan for as small as \$300 and sixty-day note loans for as low as \$100. The bank also has a "First Time Home Buyer Program" in which the bank will lend 90% loan-to-value and the customer will receive a 1/4 percent interest rate reduction. They also make real estate loans with as little as 5% down. FNB participates in the Community Housing Improvement Program (C.H.I.P.) in Jackson County which provides down payment assistance to lower income home buyers. There have been eighteen C.H.I.P. loans made in Jackson County from 1996 through 1998, with FNB making eight of them. Loans for one-to-four family residential housing purposes represented 54% of gross loans, with the remainder divided among loans having individual (37%) or commercial (9%) purposes. At September 30, 1998, the loan portfolio consisted of the following loan types, as reported in the Consolidated Report of Condition:

LOAN TYPE	VOLUME (000's)	% OF GROSS LOANS
Residential Real Estate	\$22,665	54%
Commercial Real Estate	\$2,415	6%
Secured by Farmland	\$149	<1%
Commercial Loans	\$1,132	3%
Individual Loans	\$15,336	37%
Agricultural Loans	\$0	0%
Other Loans	\$15	<1%
Total Loans	\$41,712	100%

There are no financial or legal impediments that affect the bank's ability to help meet the credit needs of its AA. FNB's CRA rating as of February 12, 1996, was "Satisfactory Record of Meeting Community Credit Needs."

DESCRIPTION OF ASSESSMENT AREA

The bank's AA includes all of Jackson and Vinton Counties. There are seven Block Numbering Areas (BNAs) in Jackson County and three in Vinton County. The bank's AA consists of nine moderate-income (90%) and one middle-income (10%) geographies (BNAs). There are 17,308 housing units in the bank's AA. Sixty-seven percent of the housing units are owner-occupied. The bank's AA has a population of 41,328. Jackson County has a population of 30,230, while Vinton County's population is 11,098. The AA meets the requirements of the regulation and does not arbitrarily exclude low-income or moderate-income geographies.

According to 1990 census information, the Ohio statewide non-MSA (metropolitan statistical area) median family income is \$30,563. The Department of Housing and Urban Development's (HUD) estimate of the Ohio statewide non-MSA median family income was \$37,000 for 1996, \$38,800 for 1997, and \$40,500 for 1998. The economic status of families and BNA geographies are categorized into low-, moderate-, middle-, and upper-income groups using the following definitions. Low-income means an individual income or a geography that is less than 50% of the Ohio statewide non-MSA median family income. Moderate-income means an individual or a geography that is at least 50% and less than 80% of the Ohio statewide non-MSA median family income. Middle-income means an individual or a geography that is at least 80% and less than 120% of the Ohio statewide non-MSA median family income. Upper-income means an individual or a geography that is 120% or more than Ohio statewide non-MSA median family income. The distribution of families among income categories in the bank's AA is as follows, based upon the 1990 Census median family incomes:

Income as a % of Median Family Income	Low-Income Families	Moderate-Income Families	Middle-Income Families	Upper-Income Families
Bank's AA	3,926	2,317	2,417	2,953
	34%	20%	21%	25%

The overall economic condition of the AA is stable and growing. The AA is primarily rural with timber and coal mining as its major industries, but also contains a moderate level of light manufacturing. As of September 1998, the unemployment rate in Jackson County was 5.8% and 7.6% in Vinton County. While this level of unemployment is above the Ohio statewide level of 4.1% and national level of 4.4%, it has shown improvement and is down from 6.4% and 8.9% for Jackson and Vinton counties, respectively, at September 1997.

The coal mining and forestry industries are major employers in the AA. Southern Ohio Coal Company, Sands Hill Coal Company, and various timber companies employ many local residents. Other major employers include Pillsbury, who employs approximately 1,200 people, Frick-Gallagher, Merrilat, Wellston City Schools, Cambridge Industries and Austin Powder. Competition in the AA is moderate and comes primarily from several community financial institutions and branches of larger financial institutions in the surrounding areas. FNB had 17% of Jackson County's market share of total deposits as of June 30, 1997.

Community contacts indicated that the area's economy is stable and growing. The credit needs of the AA are primarily for residential real estate and small business loans. According to the contacts, these types of loans are readily available from all area financial institutions.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Lending in the Assessment Area

A substantial majority of FNB's loans are for the benefit of residents of the assessment area.

We sampled thirty-nine home mortgage (home purchase, refinance, and home improvement) and eighteen small business loans originated from January 1, 1996 to September 30, 1998 to determine the percentage of lending inside the bank's AA. We did not sample any small farm loans because this area is not considered a farming community and the bank's outstanding agricultural loan portfolio balance was \$149,000 at September 1998. We sampled at least 15% of the outstanding home mortgage and small business loan portfolio balances as of September 30, 1998. The total number and dollar amount of home mortgage and small business loans originated during the evaluation period was not available for review.

The following table shows the number and dollar percentage of our sample of home mortgage and small business loans made inside the bank's AA. The table indicates that a substantial majority of the loans are made inside the bank's AA. Ninety-five percent of the home mortgage loans and 100% of small business loans were within the bank's AA.

Lending In The Assessment Area				
Loan Category	#	%	\$	%
Home Mortgage	37	95%	\$3,181,000	97%
Small Business	18	100%	\$1,135,374	100%
Total	55	96%	\$4,316,374	97%

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The analysis of borrower income levels reflects, given the demographics of the assessment area, reasonable distribution among all income levels (including low- and moderate-income). The analysis of business loans indicates a strong willingness to lend to small businesses.

The following table shows a reasonable penetration of the distribution of home mortgage loans among borrowers of different income levels within the AA. The sample included thirty-seven home mortgage loans originated between January 1, 1996 and September 30, 1998, within the bank’s AA. Our review indicated that the bank made 41% of their home mortgage loans to low- and moderate-income borrowers. The bank makes a majority of their loans to moderate- and middle-income individuals. The majority of the loans in our sample were to dual income families. In addition, there are no areas designated as low-income. Twenty-five percent of the households in the AA are living below the poverty level and 16% are receiving public assistance. Based upon the above factors, the penetration to low- and moderate-income borrowers is reasonable, given that 54% of the individuals in the AA are low- and moderate-income.

Distribution of Home Mortgage Loans Among Individuals								
	Low Income		Moderate Income		Middle Income		Upper Income	
	#	\$	#	\$	#	\$	#	\$
Loan Sample	8%	2%	33%	21%	24%	22%	35%	55%
AA	34%		20%		21%		25%	

We sampled eighteen small business loans originated between January 1, 1996 and September 30, 1998, within the AA. Based upon the review of other financial institutions in the AA, the bank’s outstanding agricultural loans of \$149,000 at September 30, 1998, and the review of 1990 Business Demographic Data, the AA was determined not to be a farming community. We did not sample any small farm loans. Bank management indicated that a substantial majority of the community’s small businesses have gross revenues less than one million. In addition, our review of business loans originated in 1996 through 1998, revealed that loan origination amounts and gross revenues were below one million.

The following table is the distribution among different sizes of businesses. This table illustrates that 89% of the sampled loans were made to small businesses with annual gross revenues less than \$250,000. FNB makes a majority of their business loans to small businesses (businesses with gross revenues under one million and loan origination amounts under one million). The dollar range of the loans we sampled was from \$4,224 to \$260,000, with an average loan origination amount of approximately \$63,000. In addition, all of the businesses sampled had gross revenues less than \$400,000. Based upon 1990 Business Demographic Data, 70% of the businesses in the AA have annual gross revenues less than \$500,000. Our sample represented an excellent responsiveness to lending to small businesses.

Distribution of Small Business Loans				
Revenue (in \$000's)	#	%	\$	%
Less than \$100	8	44.44%	\$417,640	36.78%
\$100-250	8	44.44%	\$445,194	39.21%
\$250-1,000	2	11.12%	\$272,540	24.01%
Total	18	100%	\$1,135,374	100%

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

The following tables represent our sample of the distribution of home mortgage and small business loans within the bank's AA. Ninety percent of the geographies are moderate-income and 10% are middle-income. The main office is located in BNA 9573 and the branch is located in 9575. Fifty-six percent of the sampled loans were made in BNAs 9572 and 9573 (City of Wellston). Our sample revealed reasonable dispersion throughout the AA, given the demographic make up of the area, and that loans were made in a majority of the BNAs in the bank's AA.

Geographic Distribution of Loans				
	Moderate-Income		Middle-Income	
Type of Loan	#	\$	#	\$
Home Mortgage	35	\$2,925,000	2	\$256,000
	95%	92%	5%	8%
Small Business	16	\$943,334	2	\$192,040
	89%	83%	11%	17%
COMBINED TOTAL	93%	90%	7%	10%

Geographic Distribution of Loans by Individual Geographies						
	Assessment Area		Assessment Area		Population	Percent of Population
	#	%	\$	%		
BNA - County						
9572 - Jackson	22	40%	1,877,083	44%	4,991	12%
9573 - Jackson	9	16%	575,879	13%	3,587	9%
9574 - Jackson	5	9%	416,500	10%	4,580	11%
9575 - Jackson	4	7%	448,040	10%	5,343	13%
9576 - Jackson	3	6%	106,792	2%	2,994	7%
9577 - Jackson	0	0%	0	0%	4,901	12%
9578 - Jackson	3	6%	253,500	6%	3,834	9%
9530 - Vinton	0	0%	0	0%	4,135	10%
9531 - Vinton	5	9%	341,580	8%	4,700	11%
9532 - Vinton	4	7%	297,000	7%	2,263	6%
TOTAL	55 loans		\$4,316,374		41,328	100%

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs.

The bank's average loan-to-deposit ratio since the last CRA examination was 67%. The bank's loan-to-deposit ratio was at a low of 61% at June 30, 1996, and a high of 72% at September 30, 1997. Ohio financial institutions with total assets of \$100 million or less had an average loan-to-deposit ratio of 71% as of June 30, 1998. The bank's ratio of 65% at the same date is reasonable when compared to similarly situated institutions in the bank's AA. One financial institution in Wellston is similarly situated with \$54 million in total assets at June 30, 1998, and serves the same AA of Jackson and Vinton counties. At June 30, 1998, this bank's loan-to-deposit ratio was 65%. Based upon this bank's last CRA performance evaluation in July 1997, their average ratio over that period was 66%. CRA performance evaluations of financial institutions in the AA revealed loan-to-deposit ratios ranging from 65% to 93%, with total assets ranging from \$15 million to over \$250 million. The bank's loan-to-deposit ratio is reasonable based upon the above factors.

Responses to Complaints

The bank has not received any complaints from the public regarding its performance in meeting the credit needs of the AA.

Other Considerations

No violations of the substantive provisions of the anti-discrimination laws and regulations were identified.