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Comptroller of the Currency  
Administrator of National Banks

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**SMALL BANK**

## **PUBLIC DISCLOSURE**

**November 27, 2006**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First National Bank  
Charter Number 13830**

**1 Cedar Street  
Ronceverte, WV 24970**

**Comptroller of the Currency  
Virginia Field Office  
3800 Electric Road, Suite 204  
Roanoke, VA 24018**

**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.**

**State Name: Virginia      Rating: Satisfactory**  
**State Name: West Virginia      Rating: Satisfactory**

The bank's overall rating is based on its state ratings and its bank-wide performance under the loan-to-deposit and lending in assessment area criteria, along with the provisions set forth in appendix A to 12 CFR part 25.

This institution is rated Satisfactory based on the following information:

- The loan-to-deposit ratio is more than reasonable.
- The bank made a substantial majority of its loans within its AAs.
- The distribution of borrowers reflects, given the demographics of the AAs, more than reasonable penetration among individuals of different income levels.
- Loans to businesses of different sizes reflect reasonable penetration among businesses of different sizes.
- A majority of the small loans to businesses were for amounts less than \$100,000.
- No public complaints related to CRA have been filed since the last CRA examination.

## **DESCRIPTION OF INSTITUTION**

First National Bank (FNB) is a \$212 million interstate bank headquartered in Ronceverte, West Virginia and a subsidiary of First National Bancshares Corporation, a one bank holding company. FNB has five branches, two in Virginia and three in West Virginia. Two branches were opened during the evaluation period. The Hot Springs, Virginia location opened in December 2004 and the White Sulphur Springs, West Virginia location opened in May 2006. All five branches are located in middle-income and upper-income geographies. The bank closed its Charleston, West Virginia branch on March 31, 2005. Although this branch was located in a low-income geography, there is more than reasonable access to banking services in this area. FNB currently has depository automated teller machines at each of its five branches. FNB offers basic deposit and lending products and serves the cities of Hot Springs and Covington in the state of Virginia and the cities of Lewisburg, Ronceverte and White Sulphur Springs in the state of West Virginia.

FNB's performance under the CRA was determined using small bank examination procedures. FNB will be evaluated based on their performance in Alleghany and Bath Counties in Virginia (the Virginia AA) and Monroe and Greenbrier Counties in West Virginia (the West Virginia AA). Refer to the State Ratings section for additional information.

FNB's business strategy focuses on residential mortgage loans, loans to businesses, and consumer loans. The bank's loan portfolio, as of June 30, 2006, is comprised of loans to businesses, including loans secured by non-farm non-residential property, totaling 53.5%, residential mortgages totaling 37.3%, and loans to individuals totaling 9.2%. We considered loans to businesses and residential mortgage loans as primary products based on the volume of originations and balances outstanding. Loans to individuals are a primary product in terms of

volume, but not dollars outstanding.

The evaluation period for the Lending Test is January 1, 2004 through June 30, 2006. We sampled residential mortgage loans and loans to business originated during this period. Loans were selected in accordance with OCC sampling guidelines from lists provided by FNB.

Tier 1 Capital totaled \$19.6 million, the Tier 1 Risk-based Capital to risk weighted assets ratio equaled 12.19%, and the Tier 1 Leverage Capital ratio equaled 9.37%, as of June 30, 2006.

There are no legal, financial, or other factors impeding FNB's ability to help meet the credit needs in its AAs. FNB received an "Outstanding" rating on its February 1999 CRA Performance Evaluation.

## **COMMUNITY DEVELOPMENT**

During the assessment period, bank management has taken steps to promote home ownership for low- and moderate-income families, stimulate economic development, and ensure that services are available to low- and moderate-income families. Management works with the Southern Area Rural Alliance and the West Virginia Housing Development Fund to promote home ownership for low- and moderate-income families. Management works with the Ronceverte Development Corporation to stimulate economic development through providing loans to renovate commercial space for small businesses. FNB made contributions totaling \$13,725 to nine separate groups during the assessment period to provide disaster relief and services to low- and moderate-income groups.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

In evaluating performance under the Lending Test and determining how each loan type would be weighted, we considered FNB's business strategy, the volume of originations, and community credit needs identified through discussions with community contacts. Small loans to businesses and residential mortgage loan types combined received equal weight in the evaluation process.

### Loan-to-Deposit Ratio

FNB's average loan-to-deposit ratio is more than reasonable when compared to similarly situated institutions. The bank's quarterly average loan-to-deposit ratio since the last CRA examination is 87.93%. This ratio is higher than that of similarly situated banks in the FNB AAs, as illustrated in the table below. A review of bank data reveals that FNB is similarly situated to the First National Bank of Peterstown, First National Exchange Bank, The Bank of Monroe, Highlands Community Bank, and First and Citizens Bank. These institutions are similar in asset size, offer similar credit products, operate in at least one of the same assessment areas as FNB, and are considered small banks under CRA guidelines.

<b>Institution Name</b>	<b>Average Loan to Deposit Ratio Thirty-One quarters beginning January 1, 1999</b>
FNB of Peterstown	58.63
First National Exchange Bank	59.57
The Bank of Monroe	52.83
Highlands Community Bank	71.59
First and Citizens Bank	82.56

### Lending in Assessment Area

To evaluate the bank's performance in this area, we reviewed a sample of 74 small business loans and 60 real estate mortgage loans from Virginia and West Virginia. All loans in the sample were originated between January 1, 2004 and June 30, 2006. A substantial majority of loans were originated within the bank's assessment areas. For the evaluation period, 98.25% of small business and real estate mortgage loans sampled were made inside the bank's AAs. There were no conspicuous gaps in the bank's lending patterns.

Loan Type	Number of Loans				Total	Dollars of Loans (000s)				Total
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Loans to small businesses	73	98.65	1	1.35	74	7,506	99.34	50	0.66	7,556
REM Loans	57	95.00	3	5.00	60	2,627	97.14	77	2.86	2,704
<b>Totals</b>	<b>130</b>	<b>97.01</b>	<b>4</b>	<b>2.99</b>	<b>134</b>	<b>10,133</b>	<b>98.76</b>	<b>127</b>	<b>1.24</b>	<b>10,260</b>

### **Responses to Complaints**

There were no complaints regarding the bank's CRA performance during the evaluation period.

### **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.

## **STATE RATINGS**

### **State of Virginia**

FNB operates two bank branches in the Virginia AA. Both branches are located in the non-MSA areas of Alleghany and Bath Counties, Virginia.

FNB had deposits of \$34.3 million in the state of Virginia, which represented less than a 1% deposit market share, as of June 30, 2006. FNB ranked 148th out of 170 financial institutions operating in the state of Virginia. In the Alleghany and Bath County AA, FNB ranked 7<sup>th</sup> out of 8 financial institutions and held less than 1% of the market share. FNB's primary competitors in the Virginia AA are Pendleton Community Bank, First & Citizens Bank, Planters Bank, Highlands Community Bank, BB&T, Wachovia, First Citizens Bank, and WECCU Credit Union.

The Alleghany and Bath County AA is located in the Western part of Virginia known as the Alleghany Highlands. This area was formed from parts of Bath, Botetourt, and Monroe Counties by an act of the Virginia Legislature in 1822. The AA consists of four middle and three upper-income census tracts. There are no low- or moderate-income tracts. The area population, as determined by the 2000 U.S. Census, is 22,263. There have been significant efforts to economically improve areas of the Alleghany Highlands.

The AA's largest industries are centered in government (State, Local, and Federal), manufacturing, and healthcare. The unemployment rate of 5.1% is well above the state rate of 3.3% and slightly above the national rate of 5.0%. The estimated poverty rate is 10% and the majority of the population's education level is High School and some College.

### **Community Contact**

We discussed credit and community development needs with one organization that serves the Alleghany and Bath County AA. The organization focuses on providing business counseling, training and information resources to help grow and strengthen Virginia businesses. The organization was unable to respond to which banks have participated in funding their clients' small business loan needs. However, they did indicate that all area banks have been responsive to area small businesses. We also reviewed information from a recent community contact in the AA.

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

Given the distribution of the assessment area, the bank has an excellent penetration of lending to borrowers of different incomes. Table 2A shows the percentage of loans that were made to borrowers of different income levels as based on our sample of real estate loans made during the period of January 1, 2004 to June 30, 2006. Of the sample of 29 loans in the Virginia AA, 20 had income information, and table 2A reflects this information.

<b>Table 2A - Borrower Distribution of Residential Real Estate Loans in the Alleghany and Bath AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential Real Estate	15.65	25.00	18.29	20.00	21.86	20.00	44.20	25.00

The bank has a reasonable penetration of loan to businesses of different sizes. Table 2B below shows the percentage of loans made to businesses of different sizes based on our sample of small business loans. The institution's commercial lending is targeted to small and medium-sized businesses. A majority of the small loans to businesses were for amounts less than \$100,000, see Table 2C below.

<b>Table 2B - Borrower Distribution of Loans to Businesses in the Alleghany and Bath AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	59.15	3.78	37.08	100
% of Bank Loans in AA by #	87.10	12.90	0	100
% of Bank Loans in AA by \$	91.60	8.40	0	100

<b>Table 2C - Borrower Distribution of Loans to Businesses by Loan Size in the Alleghany and Bath AA</b>				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans (000s)	Percent of Dollar Volume
<b>\$0 - \$100,000</b>	19	61.29	980	25.28
<b>\$100,001 - \$250,000</b>	9	29.03	1,470	37.92
<b>\$250,000+</b>	3	9.68	1,427	36.80

### **Geographic Distribution of Loans**

There are no low- or moderate-income geographies in the bank's assessment area. Therefore, an analysis of the geographic distribution of loans would not be meaningful.

## **State of West Virginia**

FNB operates three branches in the West Virginia AA. All three branches are located in the non-MSA areas of Greenbrier and Monroe Counties.

FNB had deposits of \$147.5 million, which represented 20% of the market share in West Virginia, as of June 30, 2006. FNB ranked 31 out of 90 financial institutions in West Virginia. In the Greenbrier and Monroe County AA, FNB ranked 2<sup>nd</sup> out of 8 financial institutions and held 20% of the market share. FNB's primary competitors in the Greenbrier and Monroe AA are First Citizens Bank, City National Bank, Bank of Monroe, and BB&T.

The Greenbrier and Monroe AA is situated in the Greenbrier River Valley, West Virginia. The area population determined by the 2000 U.S. Census is 49,036. The Greenbrier River Valley is within easy reach of a number of major metropolitan centers, and is well-served by highway, rail, and air transport. It is also home to world-class golfing and skiing and is convenient to a variety of other outdoor attractions, including West Virginia's famous whitewater rafting.

The AA's largest industries are centered in accommodation, food services, retail trade, manufacturing, construction, health care, and social assistance. According to the 2000 U.S. Census, the unemployment rate of 3.14% is below the state and national rates of 3.3% and 5.0%, respectively. Although the estimated poverty rate is 19%, the number is significantly impacted by the number of job losses in manufacturing sectors in the counties. However, there has been significant growth in the construction industry which caused a positive shift in employment in the counties as well as the state of West Virginia as a whole. Thus, the poverty rate has decreased since 2000.

## **Community Contact**

We discussed credit and community development needs with one organization that serves the Greenbrier and Monroe AA. The organization is heavily involved in small business programs and affordable housing programs for individuals in rural communities with population less than 25,000. FNB has been an active participant in the affordable housing program. There was no mention of any unmet credit needs.

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

Given the distribution of the assessment area, the bank has an excellent penetration of lending to borrowers of different incomes. Table 2A shows the percentage of loans that were made to borrowers of different income levels as based on our sample of real estate loans made during the period of January 1, 2004 to June 30, 2006. Of the sample of 31 loans in the West Virginia AA, 20 had income information, and table 2A reflects this information.



<b>Table 2A - Borrower Distribution of Residential Real Estate Loans in the Greenbrier and Monroe AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential Real Estate	19.63	15.00	17.80	25.00	21.63	30.00	40.93	30.00

The bank has an excellent penetration of loan to businesses of different sizes. Table 2B below shows the percentage of loans made to businesses of different sizes based on our sample of small business loans. The institution's commercial lending is targeted to small and medium-sized businesses. A majority of the small loans to businesses were for amounts less than \$100,000, see Table 2C below.

<b>Table 2B - Borrower Distribution of Loans to Businesses in the Greenbrier and Monroe AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	57.78	3.60	38.62	100
% of Bank Loans in AA by #	95.35	4.65	0	100
% of Bank Loans in AA by \$	95.08	4.92	0	100

<b>Table 2C - Borrower Distribution of Loans to Businesses by Loan Size in the Greenbrier and Monroe AA</b>				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans (000s)	Percent of Dollar Volume
\$0 - \$100,000	33	76.74	1,240	33.71
\$100,001 - \$250,000	8	18.60	1,339	36.39
\$250,000+	2	4.66	1,100	29.90

### **Geographic Distribution of Loans**

There are no low- or moderate-income geographies in the bank's assessment area. Therefore, an analysis of the geographic distribution of loans would not be meaningful.