



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 7, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of McConnellsville
Charter # 46**

**86 North Kennebec Avenue
McConnellsville, Ohio 43756**

**Office of the Comptroller of the Currency
Columbus Duty Station
325 Cramer Creek Court, Suite 202
Dublin, Ohio 43017**

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 Community Reinvestment Act (CRA) performance of **The First National Bank of McConnelsville** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of November 7, 1996. 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 OUTSTANDING.

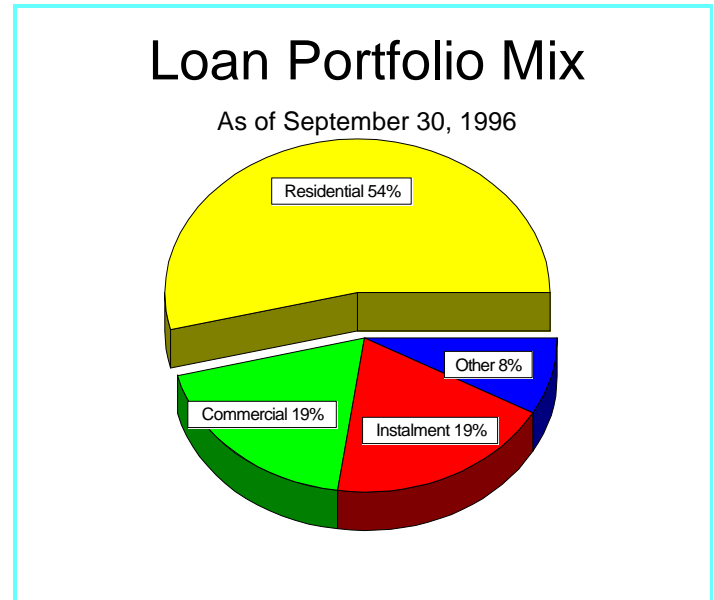
This institution meets the overall requirements for outstanding performance. The current and 22 quarter average loan-to-deposit ratios of 71% and 68% respectively, are reasonable when compared to the ratios of national, custom, and local peer banks. The sample reflects that 90% of the loans are made within the bank's assessment area and reflects excellent dispersion throughout the assessment area. The sampled loans are also made to borrowers of all income levels, including 19% to low, 36% to moderate, 22% to middle, and 23% to upper income families. Approximately 96% of the bank's commercial loans were to small businesses. The bank has taken a proactive leadership role in economic development of Morgan County by donating office space and an Economic Development Officer to the Morgan County Economic Development (MCED) Office. The bank has also taken responsive steps to address the banking needs in the Village of Carroll, Ohio. The bank has had no consumer complaints regarding its CRA performance since the prior examination.

The following table indicates the performance level of The First National Bank of McConnellsville with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>THE FIRST NATIONAL BANK OF MCCONNELSVILLE</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to businesses of Different sizes	X		
Geographic Distribution of Loans	X		
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

The First National Bank of McConnellsville (FNB) is a wholly owned subsidiary of FNB Shares, Inc., a one-bank holding company. The main office is located approximately 90 miles southeast of Columbus, Ohio in the Village of McConnellsville, Ohio. The bank also operates a full service branch in Stockport, Ohio and, as of July 1, 1996, in Carroll, Ohio. FNB's primary focus is retail banking and it offers standard products and services through all three of their locations. Because the Carroll Branch was only opened in July 1, 1996, the level of lending activity was not reviewed for this exam. Competition is strong, and comes from two community banks headquartered in the McConnellsville area, one community bank headquartered in another county which maintains a branch in McConnellsville, and a branch of a savings and loan. Currently no legal or economic impediments exist that could restrict the institution's ability to serve the community's credit needs.



FNB's September 30, 1996 Call Report reported total assets of \$51.5 million and gross loans of \$31.1 million. Loans for one-to-four family residential homes represent 54.23% of gross loans, commercial loans represent 19.12%, and instalment loans represent 19.04%.

DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area (AA) includes all of the four block numbering areas (BNAs) in Morgan County plus census tract (CT) 309 located in the Columbus, Ohio Metropolitan Statistical Area (MSA) 1840. Morgan County is not in an MSA. The Village of Carroll, Ohio is in CT 309. The assessment area complies with all regulatory requirements and does not arbitrarily exclude any low- or moderate-income areas. Three of the BNAs are characterized as middle income and one is a moderate income area. CT 309 is a middle income area. Population of the AA is 18,917. Morgan County's median family income is \$26,111, and the median family income of CT 309 is \$38,862.

Morgan County is primarily rural with a manufacturing focus. With an unemployment rate of 10%, the second highest in the State of Ohio as of August 1996, the economic condition of Morgan County is considered depressed. There is marked improvement in the unemployment figure since February 1996, when it was 19.1%. Employment in the county is centered in manufacturing, government, mining, and retail services. The largest employers include

Tomkins Industries (Malta Windows), American Electric Power, Morgan Local Schools, Gould Electronics, and Glacier-Clevite (metal bearings). The Village of Carroll (CT 309) is primarily a bedroom community for the surrounding cities of Lancaster and Columbus.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio:

Over the most recent 22 quarters since the bank's last CRA exam, their loan-to-deposit (LTD) ratio has averaged 68%, which compares favorably with a national peer average of 61% over the same period. The bank's LTD ratio increased from 57% as of June 30, 1991 to 71% as of September 30, 1996. The bank's current LTD ratio is within the range of 68% to 87% exhibited by similar financial institutions located within the bank's assessment area. A custom peer group was created consisting of banks in Ohio, West Virginia, and Kentucky with total assets between \$40 and \$60 million and a similar loan portfolio structure. This custom peer and the bank's LTD ratios were compared for 13 quarters, from June 1993 to June 1996. The bank's average of 70.0% compares favorably to the custom peer's average of 69.8%. This data indicates that the bank's LTD ratio meets the standards for satisfactory performance.

Lending in Assessment Area and Geographic Distribution of Loans:

Loans made within the bank's assessment area are a substantial majority of the bank's total loans. We reviewed a sample of 100 loans made within the last two years (50 1-4 family real estate; 25 instalment; and 25 commercial). Of the 100 loans, 90 were made within the assessment area. The sample revealed that 94% of the real estate, 96% of the instalment, and 76% of the commercial loans were made within the bank's assessment area.

The table on the following page illustrates excellent dispersion of the bank's loans through its assessment area.

Geographic Distribution of Loans Sampled by Block Numbering Area (BNA)					
BNA #	Residential Mortgage Loans	Commercial Loans	Installment Loans	Total Loans	Percent In BNA
9688	9	7	4	20	22%
9689	17	5	9	31	34%
*9690	6	6	6	18	20%
9691	15	1	5	21	24%
Total Inside AA:	47	19	24	90	100%
Outside AA	3	6	1	10	-----
Total Loans Sampled	50	25	25	100	-----
Percent Made In Assessment Area					
	94%	76%	96%	90%	

*BNA #9690 is a moderate income area.

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

The results of our sample show that the bank's lending to borrowers of different income levels (including low- and moderate-income individuals) and to businesses of different sizes is excellent. Of the 75 loans in the consumer sample (real estate and installment), 55% were made to low- and moderate-income borrowers. Loans made to middle- and upper-income borrowers totaled 45%. Of the 25 commercial loans reviewed, 24 or 96% were to businesses with annual revenues of \$1 million or less.

Due to high unemployment and a lack of business opportunities in Morgan County, FNB took it upon itself to create a Morgan County Economic Development (MCED) Office. In November 1995, FNB donated office space and an Economic Development Officer for the MCED Office. They will continue to fund this officer's salary until December 1996. At that time, the county will fund the officer's salary. As of this review date, the MCED Office has collected \$223,000 in grants to fund economic development in the county. That money is being used to fund research and development of economic projects in the county.

The bank's new branch in Carroll is the result work of performed by the bank and the Village. The Village of Carroll was in need of a full service branch since a large regional bank left in 1993. The Village sent out inquiries to local financial institutions to determine if they would like to expand into Carroll. To date, FNB is the only bank which established a branch office in Carroll to meet the needs of the community.

No evidence of discriminatory or other illegal credit practices on any prohibited basis was noted during the course of the examination. The bank is in compliance with the substantive provisions of the anti discrimination laws.