



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

March 11, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Powhatan Point
Charter Number 7759**

**345 Highway 7 North
Powhatan Point, OH 43942**

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

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.

The major factors supporting the bank's rating include:

- The bank's net loan-to-deposit ratio is reasonable.
- The bank's record of lending within the assessment area is excellent.
- The bank's record of consumer and home mortgage lending to borrowers of different income levels is excellent.
- The bank's geographic distribution of loans is good.

DESCRIPTION OF INSTITUTION

First National Bank of Powhatan Point [FNBPP] is a wholly owned subsidiary of Powhatan Point Community Bancshares Inc., a one-bank holding company. As of December 31, 2002, Powhatan Point Community Bancshares Inc had \$17 million in total assets. The bank has a single office located in the village of Powhatan Point, Ohio located between Bellaire and Marietta, Ohio. The bank provides drive-through banking service and an ATM for its customers. The ATM operates on the Jeanie network and offer services nationwide. The bank's focus is on retail banking and it offers standard products and services at this location.

As of December 31, 2002 FNBPP had \$14 million in total assets. Loans represent 38% of total assets. The distribution of FNBPP's loan portfolio is as follows: real estate loans [40%], loans to individuals [36%], and commercial and industrial loans [24%]. The bank's real estate portfolio primarily consists of 1-4 family residential [96%] and commercial [4%]. The bank's primary business is originating consumer loans to customers in and around its assessment area. Net loans and leases to total assets equal 37.99% as of December 31, 2002.

The bank received a "Satisfactory" CRA rating in the previous Public Evaluation dated October 25, 1999.

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

DESCRIPTION OF Assessment Area

The bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

FNBPP's assessment area consists of portions of Belmont and Monroe counties and is

contiguous in nature. The Belmont County portion of the assessment area is located in the Wheeling WV – Marietta, Ohio multi-state MA. The Monroe County portion of the assessment area, consisting of the northeast and southeast sections of the county, is adjacent to the Belmont County border and includes the towns of Sardis and Woodsfield. For the purpose of this performance evaluation, both the MA and non-MA areas were combined. Reasons for the combination include the fact FNBPP does not have a branch in the non-MA, the MA geographies are adjacent to the non-MA geographies and the resulting AA does not extend substantially beyond the MA boundaries.

The AA consists of 10 census tracts: 2 (20%) moderate-income and 8 (80%) middle-income tracts. There are no low-income census tracts in the assessment area.

The Department of Housing and Urban Development [HUD] updated median family income for the assessment area for the year 2002 is \$43,030. The 1990 Census Bureau lists the assessment area population at 35,640 persons comprising 10,234 families. Of these families, 25.50% are low-income, 20.43% are moderate-income, 21.38% are middle-income and 32.69% are upper-income. Thirty-seven per cent of the household income in the AA is derived from social security. Households with income below the poverty level are 19% with 12% of the households relying on public assistance. Owner-occupied housing units comprise 67.66% of the assessment area. The housing units are primarily one-to-four family with a median housing value of \$40,391. As noted both by bank management and our community contact, there is little demand for new housing due to a shrinking and aging population, lack of employment opportunities and uncertainty regarding continued employment in existing industries.

The annual average 2002 unemployment rates for the assessment area fluctuate widely. According to the State of Ohio Bureau of Labor Market Information, the unadjusted average unemployment rate for 2002 was 5.7%. Unemployment rates for Belmont and Monroe counties are 5.3% and 8.1% respectively. Major differences in the unemployment rates are reflected in the economies of each county. Belmont County consists of several small and medium size towns with mining, steel, & light manufacturing, along with limited commercial, retail, and service industries. Monroe County is primarily rural in nature whose topography lacks the economic opportunities for similar economic development. Over the length of the evaluation period, unemployment trends have remained relatively the same with only slight fluctuations.

The local economy is depressed with little demand outside of the main transportation corridor of I-70. The current composition of industries within the AA includes national trade, Inter/Intra-state trade, and financial institutions. Major employers are Ormet Primary Aluminum Corporation [aluminum production], Ohio Valley Coal Company [coal production & transportation], American Energy Corporation [electric generation], Mayflower Vehicle Systems [truck components], and Belmont Savings Bank [financial services].

We determined the community's credit needs by contacting a representative from the Powhatan Point City Council. Information regarding community credit needs was also obtained from the bank.

We identified the following credit and non-credit needs in this AA:

-- Affordable home improvement and rehabilitation loans for low- and moderate-income individuals. This issue was noted given current housing stock is old with an average build year of 1958.

-- Small business working capital loans to existing and start-up businesses in amounts of \$100 thousand or less.

Financial institutions located within the bank's AA include local community banks and branches of regional institutions. FNBPP's major competitors within its AA and their corresponding deposit market shares include WestBanco Bank (26%), Belmont Savings Bank (19%), Belmont National Bank (13%), and Citizens Savings Bank (11%). FNBPP holds approximately 1% of the deposit market share within its AA. In addition, FNBPP is the only bank in its AA with a single branch office and is the smallest in total asset size.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Our performance evaluation was based on the following factors. We chose to review the bank's consumer loans and home mortgage loans for this evaluation. Based on volume, we placed more weight on the bank's consumer lending performance when determining the ratings. During the evaluation period, the bank originated 1,924 (94%) consumer loans and 128 (6%) home mortgage loans. Our ratings are driven by consumer loan performance with only nominal consideration given to home mortgage loans.

Our analysis of consumer and home mortgage loans were based on samples taken from each of these portfolios. As the bank is not a HMDA reporter, our conclusions are based on a sample of thirty residential real estate loans originated by the bank during the evaluation period. As FNBPP distinguishes home mortgage products by class code, this category combines home purchase, home improvement and home refinance loans.

Loan-to-Deposit Ratio

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

FNBPP's loan-to-deposit ratio (LTD) as of December 31, 2002 was 47.41% and its average LTD over the previous 13 quarters was 47.92%. This ratio has shown an increase from 35% noted at last public evaluation in 3Q99.

For analysis purposes, FNBPP's current and 13-quarter average LTD ratios were compared with a peer group consisting of banks of various sizes and similar purpose with total assets between \$10MM & \$25MM with a single branch in a metropolitan area. The analysis shows FNBPP's LTD ratios are similar to the peer group's 4Q02 LTD ratio of 50.55% but lower than the 13-quarter average of 55.71%.

Several factors mitigate the lower ratios. The former President had a low tolerance for lending risk and did not offer the varied array of loan products as its peers. The highly competitive marketplace the bank operated in coupled with its single location made it difficult to effectively

compete with its multi-branch peers. The bank's clientele includes a large number of senior citizens and retirees who prefer taking out small dollar short-term loans causing these ratios to fluctuate widely on a quarterly basis.

A new President was hired in July 2003 and his mission is to improve the overall loan-to-deposit ratio level. He has made a conscious effort to let the community know they are interested in making loans and reverse the negative image from the previous administration. The number of loans has steadily increased since this initiative was introduced. A potential arrangement with a service company that originates and services manufactured housing loans within its assessment area is currently under consideration. He is also investigating initiating or coordinating loan participations with other local financial institutions.

Lending in Assessment Area

FNBB's record of lending within its AA exceeds the standards for satisfactory performance. A substantial majority of the loans originated by the bank were located within its AA. Our conclusions are based on a sample of 20 loans per product type originated by the bank during the evaluation period. The following table details the bank's lending within the AA by number of loan originations and dollar volume during the evaluation period.

Loans Originated within the Assessment Area								
	Inside AA				Outside AA			
	#	%	\$	%	#	%	\$	%
Consumer	18	90.00	240	85.83	2	10.00	34	14.17
Home Mortgage	18	90.00	636	92.98	2	10.00	74	7.25
Total	36	90.00	876	89.02	4	10.00	108	10.98

Lending to Borrowers of Different Incomes

Overall lending to borrowers of different income levels is outstanding and reflects excellent penetration.

The bank's distribution of consumer lending reflects excellent penetration among low- and moderate-income borrowers. For both low- and moderate-income borrowers, the percentage of originations exceeds the percentage of the population within those categories. Our conclusions are based on a sample of 28 consumer loans originated by the bank during the evaluation period.

Distribution of Lending by Borrower Income Level					
	Consumer Loans				Percentage of Households in AA
	# of loans	% of loans	\$ of loans	% of loans	

Low	12	42.86	78	33.05	28.90
Moderate	8	28.57	58	24.58	17.30
Middle	6	21.43	35	14.83	17.40
Upper	2	7.14	65	27.54	36.50

The bank's distribution of residential real estate lending reflects excellent penetration among low- and moderate-income borrowers. Since the bank is not a HMDA reporter, our conclusions are based on a sample of 30 residential real estate loans originated by the bank during the evaluation period. As FNBPP does not distinguish home mortgage products by class code, this category combines home purchase, home improvement and home refinance loans.

Distribution of Lending by Borrower Income Level					
	Home Mortgage Loans				Percentage of Families in AA
	# of loans	% of loans	\$ of loans	% of loans	
Low	5	16.67	176	15.52	25.50
Moderate	9	30.00	292	25.75	20.43
Middle	13	43.33	477	42.06	21.38
Upper	3	10.00	189	16.67	32.69

Geographic Distribution of Loans

The bank's geographic distribution of consumer loans reflects excellent performance. The bank's distribution of consumer loans exceeds the distribution of percentage of households in moderate-income census tracts.

Geographic Distribution of Lending					
	Consumer Loans				Percentage of Households in AA
	# of loans	% of loans	\$ of loans	% of loans	
Low	NA	NA	NA	NA	NA
Moderate	7	25.00	15	6.36	15.40
Middle	21	75.00	221	93.64	84.60
Upper	NA	NA	NA	NA	NA

The bank's geographic distribution of home mortgage loans reflects adequate performance for its AA. Although the bank did not originate any home mortgage loans (from our sample) within moderate-income geographies, this performance is considered adequate given the fact that 80% of the bank's AA is comprised of middle-income geographies. Additionally, over 86% of the AA's owner-occupied units are located within middle-income geographies. Furthermore, one of the AA's two moderate-income geographies is located in a county where the bank does not have a branch office.

Geographic Distribution of Lending					
	Home Mortgage Loans				Percentage of Owner-Occupied Housing in AA
	# of loans	% of loans	\$ of loans	% of loans	
Low	NA	NA	NA	NA	NA
Moderate	0	0.00	0	0.00	13.83
Middle	30	100.00	1,134	100.00	86.17
Upper	NA	NA	NA	NA	NA

Responses to Complaints

FNBPP has not received any written complaints regarding its performance meeting the credit and deposit needs of its AA during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

An analysis of recent public comments and consumer complaint information regarding the bank's CRA performance was performed according to the OCC'S risk based fair lending guidelines.

Based on its analysis of the information, the OCC decided a comprehensive fair lending examination would not need to be conducted in connection with the current CRA evaluation this year.