

PUBLIC DISCLOSURE

November 16, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Romney
105 N. High Street
P.O. Box 1037
Romney, West Virginia 26757**

**Office of the Comptroller of the Currency
West Virginia Field Office
100 Capitol Street
Security Building - Suite 400
Charleston, West Virginia 25301**

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 Romney prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of September 30, 1999. 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 **Satisfactory**.

The First National Bank of Romney has met or exceeded the standards for satisfactory performance for each of the following assessment criteria: loan to deposit ratio; lending within the assessment area; and, lending to borrowers of different incomes and to businesses of different sizes. This evaluation is based on information from January 1, 1997 through October 31, 1999.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	FIRST NATIONAL BANK OF ROMNEY'S PERFORMANCE LEVELS		
	<i>Exceeds</i> Standards for Satisfactory Performance	<i>Meets</i> Standards for Satisfactory Performance	<i>Does Not Meet</i> 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	Not Applicable since the Assessment Area consists of only middle income Block Numbering Areas (BNA).		
Response to Complaints	The bank has not received any CRA related complaints since our previous CRA examination.		

DESCRIPTION OF INSTITUTION

The First National Bank of Romney (FNB) is a \$96.9 million independent community bank with its main office located in Romney, West Virginia. FNB also operates two full service branches: on Main Street in Romney and in Capon Bridge, WV. Drive-through facilities are located at all three banking locations and automated teller machines (ATM) are located at the main office and the branch in Capon Bridge.

As of September 30, 1999, net loans totaled \$55.6 million dollars and represented approximately 56% of total assets. FNB's loan portfolio consists of 78% real estate loans, 16% consumer loans (including those for agricultural purposes), and 6% commercial loans (including loans to municipalities). FNB offers a variety of loans including personal loans with no minimum loan amount; residential real estate loans; student loans; home improvement loans; construction loans; and business loans, including Small Business Administration (SBA) loans. There are no financial conditions, legal constraints, or other conditions that would hinder the bank's ability to help meet the credit needs of its assessment area. FNB's CRA performance was last evaluated in February 1997 and was rated Satisfactory. Additionally, FNB's CRA services were reviewed by the Federal Housing Finance Board in November 1997 and found to meet their regulatory standards.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area (AA) consists of Hampshire County, West Virginia. Hampshire County is located in West Virginia's eastern panhandle that adjoins Maryland and Virginia. The AA does not arbitrarily exclude low- and moderate-income geographies. The AA includes five block numbering areas (BNAs)¹, all of which are middle-income tracts. There are no low- or moderate-income tracts within Hampshire County.

Although the AA does not contain low- or moderate-income tracts, families whose income levels are categorized as being low or moderate do reside within the AA. The income levels of the various families in the AA are as follows: low-income (17%), moderate-income (18%), middle-income (23%), and upper-income (42%). The 1998 updated statewide median family income² for West Virginia equaled \$28,200 (as reported by the U.S. Department of Housing and Urban Development). Based on 1990 U.S. census data, Hampshire County has a population of 16,498. Of the 6,230 households residing in the AA, 33% receive social security income, while another 10% receive some other type of public assistance. Approximately 20% of the households within the AA are considered to be below the poverty level.

The AA's economy is stable and loan demand is good. Banking within the AA is competitive. In addition to FNB, the AA contains the Bank of Romney, a West Virginia state-chartered bank; a branch of First United Bank & Trust, a Maryland state-chartered bank; and, Romney Federal Credit Union.

¹ A block numbering area (BNA) is defined by the Bureau of the Census as a statistical subdivision of counties in which census tracts have not been established.

² The term median family income describes the statewide average income earned by people sharing a home that are related by birth, marriage, or adoption.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan to Deposit Ratio

FNB's loan to deposit ratio is reasonable. During the 11 quarters from March 31, 1997 through September 30, 1999, FNB's net loan to deposit ratio averaged 68%. The net loan to deposit ratio of similarly situated community banks, nation-wide, averaged 72% for the same period. FNB's loan to deposit ratio has been compressed due to the approximately \$6 million in deposits from the Hampshire County Board of Education. As mentioned previously, competition is stiff in this relatively small market. FNB's local banking competition consists of a state chartered bank, a branch of a state-chartered out-of-state bank, and a credit union.

Lending in Assessment Area

A substantial majority of the bank's lending activity is within the AA. In order to determine this, we used data contained in the bank's CRA Community Reinvestment Act Geographic Analysis compiled as of October 26, 1999. The validity of this data was confirmed by reviewing a sample of consumer loans originated from January 1999 through June 1999. The following table represents FNB's lending within their AA:

FNB's Lending Patterns for Consumer Installment, Consumer Real Estate, and Commercial Loans (by percent of amount loaned)			
	Consumer Installment Loans	Consumer Real Estate Loans	Commercial Loans
Loans <i>within</i> the AA	82%	78%	82%
Loans <i>outside</i> the AA	18%	22%	18%
Total	100%	100%	100%

Source: FNB CRA Geographic Analysis, 10/26/99

As part of our evaluation of FNB's lending performance, we performed three local community contacts. These community contacts were conducted in an effort to determine opportunities for participation by financial institutions in helping to meet local credit needs and to understand community perceptions of the local financial institutions' performance in meeting those needs. No salient, unaddressed credit needs were identified during these contacts, however all three contacts cited the lack of infrastructure as an impediment to attracting new business to the county. All three contacts expressed opinions that the financial institutions operating in Hampshire County were responsive to the individual credit needs of consumers and small businesses within the area.

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

FNB's lending to borrowers of different income levels within the AA is reasonable. We determined this by reviewing a sample of 66 unsecured consumer loans originated within the AA from January 1999 through June 1999. The following table illustrates FNB's penetration of consumer loans to individuals within each income level within the AA:

Unsecured Consumer Loans to Individuals of Different Income Levels Within the AA			
Income Level	Percent of Families in the AA	Percent of Loans Originated	Percent of Loans Originated, by Amount
<i>Low</i>	17%	64%	51%
<i>Moderate</i>	18%	12%	18%
<i>Middle</i>	23%	5%	5%
<i>Upper</i>	42%	20%	26%
Total	100%	100%	100%

The bank's level of lending to businesses of different sizes is reasonable, as well as consistent with the number of small businesses in the AA. We reviewed a sample of 7 commercial loans originated in the last twelve months. By using the size of loans as an indicator of business size, we found that all of the commercial loans were for amounts less than \$1 million. Furthermore, 70% of these loans were for amounts less than \$100 thousand.

Geographic Distribution of Loans

As previously mentioned, there are no low- or moderate-income geographies in the AA, therefore an analysis of geographic distribution would provide no meaningful results.

Response to Complaints

FNB has not received any CRA-related complaints since the prior CRA evaluation.

Compliance with Antidiscrimination Laws and Regulations

A fair lending examination was performed in conjunction with our CRA evaluation. This examination was performed to determine if any disparate treatment to any prohibited basis groups had been conducted. The fair lending examination focused on rates, terms, and fees of 45 1st mortgage real estate loans originated from January 1999 through September 1998. No violations of the substantive provisions of antidiscrimination laws and regulations were identified.