



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**June 16, 2008**

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

The Fayette County National Bank of Fayetteville  
Charter Number 8345

Corner of Maple Avenue and Court Street  
Fayetteville, WV 25840

Office of the Comptroller of the Currency

**West Virginia Field Office  
500 Lee Street, East, Suite 730  
Charleston, WV 25301-2117**

**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.**

We assigned the Community Reinvestment Act (CRA) rating based on the following information:

- The bank's loan-to-deposit ratio is reasonable.
- A substantial majority of the bank's loans were originated within their assessment area.
- Analysis reflects reasonable penetration among individuals of different income levels and businesses of different sizes.

**SCOPE OF EXAMINATION**

This Performance Evaluation assesses the bank's performance with the Community Reinvestment Act. Our review covers the bank's performance from April 1, 2003 through March 31, 2008. Our analysis focused on real estate mortgages and commercial loans and the samples were selected based on judgmental sampling guidelines.

**DESCRIPTION OF INSTITUTION**

Fayette County National Bank (FCNB) is a wholly owned subsidiary of FCNB Bancorp, a one-bank holding company. There have not been any major changes in the bank's corporate structure since the last CRA examination. FCNB received a satisfactory CRA rating at its last CRA performance evaluation dated May 12, 2003.

FCNB's main office is located in Fayetteville, West Virginia. The bank also operates two full-service branch offices in Ansted and Oak Hill, and an "Express" drive-through facility in Fayetteville. The bank has neither opened nor closed any branches since the last CRA examination. FCNB operates two depository Automated Teller Machines; one located at the "Express" branch and the other at the Oak Hill branch.

As of March 31, 2008, FCNB's total assets were \$70.9 million with a net loan portfolio of approximately \$34.3 million, representing 48% of total assets. Total deposits were \$58 million.

The bank offers a variety of traditional deposit and loan products to consumers and their commercial lending is primarily to small businesses. There are no financial, legal constraints, or other conditions that would hinder the bank's ability to help meet the credit needs of its assessment area.

Product Category	Gross Loans as of March 31, 2008*	
	Dollar (000's)	Percent
<b>Commercial &amp; Industrial Including Commercial Real Estate</b>	<b>\$10,537</b>	<b>31%</b>
<b>Residential Mortgage Loans</b>	<b>\$17,434</b>	<b>51%</b>
<b>Individuals</b>	<b>\$2,849</b>	<b>8%</b>
<b>Construction &amp; Land Development</b>	<b>\$3,475</b>	<b>10%</b>
<b>All Other</b>	<b>\$20</b>	<b>nil</b>
<b>Total</b>	<b>\$34,315</b>	<b>100%</b>

\*Data obtained from call report as of March 31, 2008.

As indicated in the scope we chose the primary loan types based on outstanding balances, information gathered from previous regulatory activity, and discussions with management about loan originations. As identified in the table above, the bank's primary loan types based on outstanding balances, are residential mortgage loans and commercial loans. Another loan product offered by the bank is consumer loans. Because of the low loan balance in this category and the 35% decline during the rating period, it is not reflected as a primary loan product as it was in the prior evaluation.

## DESCRIPTION OF ASSESSMENT AREA

FCNB's assessment area (AA) is comprised of Fayette County, West Virginia in its entirety. The bank's headquarters is located in Fayetteville, the seat for county government for Fayette County. The AA meets the requirements of the CRA and does not arbitrarily exclude any low- or moderate-income areas. The county has two natural divisions that affect banking and marketing lending products resulting in three distinct sections of the county. The New River Gorge separates one area into two: a northern and southern section. Most of the population (approximately 67%) is in the southern section that includes Fayetteville, Oak Hill, and Mt. Hope, all along the Corridor L Highway. The area is further divided between a valley district and plateau district, created by the Gauley Mountain range. The northern portion is much more rural and has approximately 33% of the population. The bank has a branch located in Ansted, in the northern section, and the main bank and Oak Hill branch and located in the southern section. Financial institutions in neighboring counties also serve residents in the less populated census tracts, especially those in the northern and southern sections along Corridor L Highway and in the valley district to the west.

Fayette County is located in the central portion of the state, approximately 60 miles east of Charleston, the state capital. According to the 2000 U.S. Census, the AA consists of eleven census-tract areas (CT). Of these eleven CTs, one is moderate-income (9.09% of total) and ten are middle-income (90.91% of total). There are no low- or upper-income tracts within the AA. The number of moderate-income tracts within the AA fell from 5 during the previous review to only one, based on 2000 Census data. The only moderate-income tract is located in the Mt. Hope area. The population in this census tract is 2,094 and represents just over 4% of the total AA population; therefore, opportunities to lend in this census tract are very limited.

According to the 2000 U.S. Census, the total population for the AA was 47,952, resulting in a 1% decline from the 1990 U.S. Census. According to the U.S. Department of Housing and Urban Development (HUD), the 2000 Census Median Family Income was \$32,500 and the updated median family income was \$40,300. There are 13,250 families making up 19,006 households within the AA. The income levels of these households are 5% moderate-income and 95% middle-income. Of these households, 39% receive social security income, while another 6% receive other types of public assistance. Housing types are typical for rural West Virginia as 68% of the housing units are owner occupied. The demographic characteristics of FCNB's AA are shown below.

Demographic Characteristics of Assessment Area*		
Number of Geographies by Income Level:	Low-Income	0
	Moderate-Income	1
	Middle-Income	10
	Upper-Income	0
	N/A	0
Percent of Geographies by Income Level:	Low-Income	0
	Moderate-Income	4.59
	Middle-Income	95.4
	Upper-Income	0
	N/A	0
Percent of Population in each Tract:	Low-Income	0
	Moderate-Income	4.40
	Middle-Income	95.60
	Upper-Income	0
	N/A	0
Percent of Families by Income Level:	Low-Income	26.73
	Moderate-Income	17.06
	Middle-Income	17.69
	Upper-Income	38.53
Median Housing Characteristics:	Median Home Value	\$47,983
	Percent Owner-Occupied Units	67.63
	Median Gross Rent	\$358
Median Income Data:	2000 Census Median Family Income	\$32,500
	Updated Median Family Income	\$40,300

\* U.S. 2000 Census Data

The AA economy has experienced modest growth that is a direct result of the travel and tourism industry which has provided service industry jobs. Fayette County unemployment rates compare favorably to the state and national levels. The county's rate is 5.3%, West Virginia is 5.1%, and the national is 5.2%. The unemployment rate is seasonal and tends to fluctuate throughout the year, reflecting the tourism portion of the economy.

Based on census information, 98% of the businesses employ less than 49 employees. The area's top industries, by distribution of employees, are service and retail trade. Mining and manufacturing play a far less important role to the local economy. The largest employers are the County Boards of Education and businesses promoting tourism. Competition in this assessment area is strong and consists of 16 branches of FDIC-insured institutions, representing 6 banks varying in asset size. Only one bank, Bank of Mount Hope, is similarly situated in size and local ownership, as all other facilities are branches of larger institutions head-quartered elsewhere. FCNB has four offices and approximately 12% of the deposit market share.

## **COMMUNITY CONTACT**

We conducted one community contact during this examination with a realtor that operates in the bank's AA. The realtor is based in Fayetteville and has knowledge of all areas within the AA. A realtor was chosen for the community contact since residential RE is a primary loan product within the AA. The realtor did not identify any special credit needs and indicated that the financial intuitions within the AA are readily accessible and adequately meeting the local residential lending needs.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

The bank's performance under the lending test is rated "Satisfactory".

### **Loan-to-Deposit Ratio**

FCNB's loan-to-deposit ratio is reasonable considering the community's credit needs, demand for credit, and the high level of competition in the AA. As of March 31, 2008, the bank's loan-to-deposit ratio was 58.5%. The average quarterly loan to deposit ratio since the last Public Evaluation equals 51.5%. FCNB's ratio is lower than the one similarly situated bank in the assessment area. The Bank of Mt. Hope, at \$110 million in assets, offers similar credit products, operates in the same assessment area, and is considered a small bank under CRA guidelines. This bank has a loan-to-deposit ratio of 68.6% as of March 31, 2008 and an average quarterly ratio of 77.6%. for the evaluation period. While FCNB's quarterly average ratio is below The Bank of Mt. Hope's, the ratio has improved, and is more in line at March 31, 2008.

### **Lending in Assessment Area**

The bank originated a substantial majority of its total loans within their AA. In order to determine this, we analyzed a sample of FCNB's loan portfolio originated since the last CRA examination. The sample consisted of 28 residential real estate mortgage loans (REM) and 23 small business loans. This sample is representative of the bank's lending philosophy and overall lending performance in addressing the needs within their AA.

The table below summarizes the results of our review:

	REM		Small Business		Total loans	
	#	\$	#	\$	#	\$
<b>Inside AA</b>	86%	86%	91%	96%	45	\$5,871M
<b>Outside AA</b>	14%	14%	9%	4%	6	\$499M
<b>Total</b>	100%	100%	100%	100%	51	\$6,370M

Data above is taken from the sample of loans used for this evaluation.

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

The distribution of loans, given the demographics of the AA, reflects reasonable penetration among borrowers of different income levels and businesses of different sizes. The analysis of lending to borrowers of different income levels and businesses of different sizes was completed using loans made inside the AA from the lending in the AA sample discussed above. This sample consisted of 24 REM loans and 21 business loans.

The table below illustrates the distribution of the 24 REM loans within the income levels compared to the percentage of families in each income level. The original amount of the 24 loans totaled \$1,929,547. Our sample did not include any loans to low-income borrowers, however, low-income is defined as 50% of the median income or \$20,150. This amount is below the poverty level and likely to discourage borrowing for new houses. Furthermore, the assessment area’s high poverty rate of 21.67% limits the bank’s opportunity for lending to low-income borrowers. The distribution of REM loans to moderate-income borrowers is excellent and exceeds the percent of moderate-income families in the AA.

<b>Borrower Distribution of Real Estate Mortgage Loans</b>				
<b>Family Income</b>	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>
% Families	23.95	18.57	20.92	36.57
% Bank # Loans	0.0	20.83	25.00	54.17
% Bank \$ Loans	0.0	11.93	25.55	62.52

Data above is taken from the sample of loans used for this evaluation.

The distribution of loans to small businesses (businesses with \$1 million or less in gross annual revenues) is good. A significant portion of loans in our sample were made to small businesses. The total original amount of the 21 loans was \$3,941,000. The percentage of sample loans (by number and dollar) is lower than the percentage of businesses in the AA, but reasonable given the credit needs described under the description of the AA. Eight loans in the sample (44%) were small loans originating at less than \$100,000.

<b>Businesses With Revenues of \$1 million or less</b>		
<b>% of Businesses in AA</b>	<b>% # Bank Loans</b>	<b>% \$ Bank Loans</b>
96%	78%	78%

Data above is taken from the sample of loans used for this evaluation.

### Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the AA. There are no low-income geographies in the AA and only one moderate-income geography. Lending opportunities in the moderate-income tract are very limited due to the tract’s low population and the low percent of owner occupied housing and AA businesses located in these tracts. Additionally, FCNB does not have any branches located in the moderate-income tract and the closest FCNB branch is approximately 15 miles from this tract. The similarly situated bank does have a branch in the moderate-income tract. To determine the geographic distribution of loans throughout the AA, we used the REM and business loans made inside the AA from the lending in the AA sample discussed in the Lending in Assessment Area section of this report.

Our sample did not include any REM loans to individuals located in the moderate-income tract. However, only 5% of the AA population that reside in owner occupied housing are in the moderate-income tract with the remaining 95% in the middle-income tracts. This significantly limits opportunities to lend in this tract. Additionally, FCNB branch location discussed in the previous paragraph further limits their opportunity to lend in this tract. The geographic distribution of loans reflects reasonable dispersion throughout the AA by lending in most tracts and does not exhibit any conspicuous gaps. The following table summarizes the results of our sample:

Real Estate Mortgage Loans Throughout AA			
Income Tracts	Moderate	Middle	Total
% of AA in owner occupied housing	5%	95%	100%
% by #	0%	100%	100%
% by \$	0%	100%	100%

Data above is taken from the sample of loans used for this evaluation.

Our business sample did not include any loans to businesses located in the moderate-income tract. However, only 6% of AA businesses are located in the moderate-income tract with the remaining 94% in middle-income tracts. Additionally, as previously stated, FCNB does not have a branch located in the moderate-income tract, further limiting their opportunity to lend in this tract. The geographic distribution of loans reflects reasonable dispersion throughout the AA by lending in most tracts and does not exhibit any conspicuous gaps. The following table summarizes the results of our sample:

Geographic Distribution of Loans to Businesses			
Income Tracts	Moderate	Middle	Total
% of AA businesses	6%	94%	100%
% by #	0%	100%	100%
% by \$	0%	100%	100%

Source: CRA Data and Loan sample; Dun and Bradstreet data.

### Responses to Complaints

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

This has a neutral impact on the overall CRA rating.

**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.