



**SMALL BANK**

---

Comptroller of the Currency  
Administrator of National Banks

---

## **PUBLIC DISCLOSURE**

**May 12, 2003**

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

**The Fayette County National Bank of Fayetteville  
Charter Number 8345**

**Court Street and Maple Avenue  
PO Box 209  
Fayetteville, WV 25840**

**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.**

## TABLE OF CONTENTS

<i>INSTITUTION'S CRA RATING</i> .....	2
<i>DESCRIPTION OF INSTITUTION</i> .....	2
<i>DESCRIPTION OF ASSESSMENT AREA</i> .....	3
<i>CONCLUSIONS ABOUT PERFORMANCE CRITERIA</i> .....	5

## **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 majority of the bank's loans were originated within their assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- Analysis reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- No public complaints related to CRA have been filed since the last CRA examination.

## **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 October 1, 1997. There are no legal or financial circumstances impeding FCNB's ability to help meet the credit needs of its assessment area (AA).

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 (ATMS) in the rating area.

As of March 31, 2003, FCNB total assets were \$66.7 million with a net loan portfolio of approximately \$30.8 million this equaled 46% of total assets. Total deposits were \$56 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.

The following table reflects the composition of the bank's loan portfolio based on the March 31, 2003 call report.

<b>Product Category</b>	<b>Gross Loans as of March 31, 2003*</b>	
	<b>Dollar (000's)</b>	<b>Percent</b>
<b>Commercial &amp; Industrial Including Commercial Real Estate</b>	\$9,378	30%
<b>Residential Mortgage Loans</b>	\$16,073	51%
<b>Individuals</b>	\$4,369	14%
<b>Construction &amp; Land Development</b>	\$1,427	5%
<b>All Other</b>	\$77	nil
<b>Total</b>	<b>\$31,324</b>	<b>100%</b>

\*Data obtained from call report.

We chose the primary loan types based on outstanding balances, information gathered from previous regulatory activity, and discussions with management about loan originations. As indicated in the table above, the bank's primary loan types based on outstanding balances are residential mortgage loans and commercial loans. A third primary loan product is consumer loans. Because most of these loans are small dollar loans, it is not reflected as a primary loan product based on outstanding balances. However, FCNB makes a significant number of consumer loans so we included it as a primary loan type for evaluation purposes.

## **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. FCNB's AA meets the requirements of the CRA and does not arbitrarily exclude any low- or moderate-income areas of Fayette County. 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 creates two areas into a northern and southern section. The southern section comprises most of the population (approximately 67%) and includes Fayetteville, Oak Hill, and Mt. Hope all along the corridor I highway. 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. The southern section is further divided between a valley district and plateau district created by the Gauley Mountain range. Financial institutions in neighboring counties also serve residents in the less populated northern section and in the valley district.

Fayette County is located in the central portion of the state, approximately 60 miles east of the state capital of Charleston. According to the 1990 U.S. Census, the AA consists of eleven census-tract areas (CT). Of these eleven CTs, five are moderate-income (45% of total) and six are middle-income (55% of total). There are no low-income or upper-income tracts identified within the AA.

In terms of population, according to the 1990 U.S. Census, the total population for the AA was 47,952 persons. According to the U.S. Department of Housing and Urban Development (HUD), the 1990 Census Median Family Income was \$20,637 and West Virginia's updated 2002 median family income was \$32,400. There are 13,238 families making up 18,253 households within the AA. The income levels of these households are 33% moderate-income and 67% middle-income. Of these households, 42% receive social security income, while another 12% receive other types of public assistance. Housing types are typical for rural West Virginia as 67% of the housing units are owner occupied. The demographic characteristics of FCNB's AA are shown below.

<b>Demographic Characteristics of Assessment Area</b>		
<b>Number of Geographies by Income Level:</b>	<b>Low-Income</b>	<b>0</b>
	<b>Moderate-Income</b>	<b>5</b>
	<b>Middle-Income</b>	<b>6</b>
	<b>Upper-Income</b>	<b>0</b>
	<b>N/A</b>	<b>0</b>
<b>Percent of Geographies by Income Level:</b>	<b>Low-Income</b>	<b>0</b>
	<b>Moderate-Income</b>	<b>45.45</b>
	<b>Middle-Income</b>	<b>54.55</b>
	<b>Upper-Income</b>	<b>0</b>
	<b>N/A</b>	<b>0</b>
<b>Percent of Population in each Tract:</b>	<b>Low-Income</b>	<b>0</b>
	<b>Moderate-Income</b>	<b>33.05</b>
	<b>Middle-Income</b>	<b>66.95</b>
	<b>Upper-Income</b>	<b>0</b>
	<b>N/A</b>	<b>0</b>
<b>Percent of Families by Income Level:</b>	<b>Low-Income</b>	<b>23.89</b>
	<b>Moderate-Income</b>	<b>19.34</b>
	<b>Middle-Income</b>	<b>18.85</b>
	<b>Upper-Income</b>	<b>37.91</b>
<b>Median Housing Characteristics:</b>	<b>Median Home Value</b>	<b>\$34,033</b>
	<b>Percent Owner-Occupied Units</b>	<b>67.05</b>
	<b>Median Gross Rent</b>	<b>\$265</b>
<b>Median Income Data:</b>	<b>1990 Census Median Family Income</b>	<b>\$22,374</b>
	<b>Updated Median Family Income</b>	<b>\$32,400</b>

The AA economy has experienced only modest growth and this growth is a direct result of the travel and tourism industry that has provided service industry jobs. Fayette County presently has one of the highest unemployment rates in the state at 10.4% while the rate for the state is at 6.4%. The unemployment rate 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 four industries by distribution of employees are retail trade, services, mining, and manufacturing. 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 market (see the deposit market share graph on the next page).

**Community Contact**

We conducted two community contacts during this examination with a representative from the real estate market and one from a non-profit organization in FCNB's AA. Two were chosen due to the geographic divisions discussed earlier and the two main lending types of the bank; residential real estate and small business loans. Information obtained from both contacts indicated that financial institutions are readily accessible and there were no special credits needs identified. Financial institutions are adequately meeting reasonable residential and business financing needs.

**CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

**Loan-to-Deposit Ratio**

FCNB's loan-to-deposit ratio is reasonable in view of the community's credit needs, demand for credit, and high level of competition among local financial institutions. As of March 31, 2003, the bank's loan-to-deposit ratio was 55.1%. The average quarterly loan to deposit ratio since the last Public Evaluation equals 57.7%.

Due to the high level of competition within the banks AA, as well as FCNB's relatively small asset size in comparison to its competitors, any loan-to-deposit comparison with other local banks would not be meaningful. However, an analysis of market share deposits according to the June 30, 2002 Market Share Report, published by the Federal Deposit Insurance Corporation (FDIC), reveals a strong presence in the market. FCNB ranked fifth within the local banking market, in terms of market share, with a 12% share of deposits. All the banks exceeding FCNB's share are either national or state multi-billion dollar institutions.

<b>Institution Name</b>	<b>Deposit Market Share Inside of Market</b>
United Bank	27.4%
Bank One, WV, NA	18.0%
BB&T Company	17.7%
City National Bank of WV	16.4%
Fayette County NB	12.0%
Bank of Mount Hope	8.6%

**Lending in Assessment Area**

The bank originated a substantial majority of its total loans within their assessment area. In order to determine this, we analyzed a sample of FCNB's loan portfolio originated since the last CRA examination. The sample consisted of residential real estate mortgage loans (REM), loans made for consumer purposes including lines of credit, and small business loans. This sample consisted of 46 REM loans, 48 consumer loans, and 22 business loans. This sample is representative of the bank's lending philosophy overall lending performance in addressing the needs within their AA.

The table below summarizes the results of our review:

<b>Lending Inside/Outside the Assessment Area (AA)</b>								
	<b>REM</b>		<b>Consumer</b>		<b>Small Business</b>		<b>Total loans</b>	
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
<b>Inside AA</b>	87%	88%	94%	99%	82%	77%	89%	81%
<b>Outside AA</b>	13%	12%	6%	1%	18%	23%	11%	19%
<b>Total</b>	100%	100%	100%	100%	100%	100%	100	100%

#### **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 (including low- and moderate-income) and businesses of different sizes. The analysis of lending to borrowers of different income levels and businesses of different sizes was completed using the sample of loans made inside/outside FCNB's AA. This sample consisted of 40 REM loans and 18 business loans.

The table below illustrates the distribution of the 40 REM loans within the income levels compared to the percentage of families in each income level. The 40 loans represented \$1,355M in originating amounts. The distribution of REM loans to low-income borrowers is reasonable. The distribution is somewhat lower than the distribution of low-income families, however, this is mitigated by the fact that the majority of low-income families are below poverty level. 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>
<b>% Families</b>	24	19	19	38
<b>% Bank # Loans</b>	18	20	25	37
<b>% Bank \$ Loans</b>	9	18	25	48

The distribution of loans to small businesses (businesses with \$1 million or less in gross annual revenues) is good. From the original sample of 22 business loans taken in determining lending inside/outside the AA, there were 18 made inside the AA. Significant portions of these were made to businesses with \$1 million or less in gross annual revenues. The total amount loaned in these 18 loans was \$3,168M. The percentage of bank loans (by number and dollar) is slightly lower than the percentage of businesses in the AA, but is reasonable given the credit needs described under the description of the AA. Eight in the loan sample or 44% were small loans originating for 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%

### **Geographic Distribution of Loans**

There are no low- income geographies in the AA, however, there are moderate and middle-income geographies. To determine the geographic distribution throughout the AA, we analyzed the consumer and real estate loans from our original sample. The consumer review compared the percent of population in each tract and the real estate loan review compared the percent of owner-occupied housing in each tract.

Based on our original sample of 48 consumer loans in which 45 applicants lived inside the AA, the 45 loans were plotted to determine lending distribution throughout the AA. The five moderate-income tracts include 33% of the counties population, while the six middle-income tracts has 67%. The loans analyzed represented \$348M in originating amounts and addresses the credit needs of the local community. The geographic distribution of loans reflects a reasonable dispersion throughout their AA by lending in most tracts and the bank’s lending pattern does not exhibit any conspicuous gaps or areas of low penetration.

<b>Consumer Lending Throughout AA</b>			
<b>Income Tracts</b>	<b>Moderate</b>	<b>Middle</b>	<b>Total</b>
<b>% of AA population</b>	33%	67%	100%
<b>% by #</b>	20%	80%	100%
<b>% by \$</b>	15%	85%	100%

Based on our original sample of 46 REM loans of which 40 were inside the AA, the loans were plotted to determine lending throughout the AA. 34% of the AA that reside in owner occupied housing are in the moderate-income geography and 66% of the AA that reside in owner occupied housing reside in the middle-income geography. The 40 REM loans represented \$1,355M in originating amounts. The geographic distribution of loans reflects a reasonable dispersion throughout their AA by lending in most tracts and the bank’s lending pattern does not exhibit any conspicuous gaps.

<b>Real Estate Mortgage Loans Throughout AA</b>			
<b>Income Tracts</b>	<b>Moderate</b>	<b>Middle</b>	<b>Total</b>
<b>% of AA in owner occupied housing</b>	34%	66%	100%
<b>% by #</b>	23%	77%	100%
<b>% by \$</b>	20%	80%	100%

### **Responses to Complaints**

FCNB has not received any CRA-related complaints since the October 1, 1997 CRA examination.

### **Fair Lending Review**

An analysis of the most recent year's public comments, consumer complaint information, and lending data was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in May 1997.