



PUBLIC DISCLOSURE

June 06, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Powhatan Point
Charter Number 7759

345 Highway 7 N
P.O. Box 147
Powhatan Point, OH 43942

Office of the Comptroller of the Currency

200 Public Square Suite 1610
Cleveland, OH 44114-2301

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:

- A substantial majority of lending activity has occurred inside the bank's assessment area and exceeds the standard for satisfactory performance.
- The distribution of home mortgage and consumer loans to borrowers of different incomes reflects reasonable penetration and meets the standards for satisfactory performance.
- The overall geographic distribution of loans meets the standards of satisfactory performance. While the distribution of home mortgage loans is poor, the distribution of consumer loans is reasonable.
- The bank's loan-to-deposit ratio is low. It is less than reasonable and does not meet the standard for satisfactory performance.

Scope of Examination

The evaluation period is November 24, 2010 through May 31, 2016. We analyzed home mortgage and consumer loan activity from January 1, 2012 through December 31, 2015. Analyses are based on samples of 43 home mortgage loans and 75 consumer loans, which were the bank's primary products during the evaluation period. Samples were utilized as the bank is not a Home Mortgage Disclosure Act (HMDA) reporting institution. We gave equal consideration to home mortgage performance and consumer loan performance when reaching our conclusions.

First National Bank of Powhatan Point (FNBPP) has one assessment area for evaluation purposes as discussed under the **Description of the Assessment Area** section.

Our analysis considered information from members of the local community. We contacted two local community organizations involved in affordable housing and economic development initiatives to help us determine the community's credit and non-credit needs. Refer to the **Description of Assessment Area** section for additional details.

Description of Institution

FNBPP is a full service community bank headquartered in Powhatan Point, Ohio that services southern Belmont and northern Monroe Counties. As of March 31, 2016, the bank reported total assets of \$49 million. The bank is a wholly-owned subsidiary of Powhatan Community Bancshares Inc., a one-bank holding company. FNBPP's business strategy involves offering its customers loan products including home mortgage, consumer, commercial, municipal, and agricultural loans, in addition to checking, savings, and time deposit accounts. The bank's primary products are home mortgages and consumer loans, as confirmed through the review of bank generated

loan origination reports. As of March 31, 2016, the bank’s loan portfolio was comprised of real estate loans (50 percent), commercial loans (32 percent), and individual loans (18 percent).

FNBPP operates out of a single office that includes drive-thru banking services and an ATM for its customers. No offices were opened or closed during the evaluation period. There are no legal, financial, or other factors impeding the bank’s ability to help meet the credit needs of the communities it serves. The previous CRA examination dated November 23, 2010 resulted in a “Satisfactory” rating.

Description of Assessment Area

FNBPP’s AA is comprised of seven census tracts in southern Belmont County and a single census tract in Monroe County that is directly adjacent to the Belmont County border. Belmont County is part of the Wheeling WV–OH multi-state Metropolitan Statistical Area (MSA). Monroe County is not within any MSA. This AA is consistent with the requirements of the regulation, includes whole census tracts and does not substantially extend beyond MSA boundaries. The AA was not impacted by Office of Management and Budget’s MSA delineation changes that took effect in January 2014. The demographic table below provides an overview of the AA’s composition.

Demographic Information for the AA					
Demographic Characteristics	#	Low Income	Moderate Income	Middle Income	Upper Income
Geographies (Census Tracts)	8	12.50%	25.00%	62.50%	0.00%
Population by Income Level of Geography	24,933	5.64%	11.59%	82.77%	0.00%
Family Distribution by Income Level of Geography	7,652	6.33%	10.55%	83.13%	0.00%
Household Distribution by Income Level of Geography	10,772	6.58%	11.90%	81.52%	0.00%
Owner-Occupied Housing Units by Income Level of Geography	8,350	4.18%	9.40%	86.42%	0.00%
Businesses by Income Level of Geography	1,139	3.60%	21.16%	75.24%	0.00%
Farms by Income Level of Geography	93	0.00%	0.00%	100.00%	0.00%
Distribution of Families by Income Level Throughout AA	7,652	18.06%	24.61%	24.53%	32.80%
Distribution of Households by Income Level Throughout AA	10,772	21.89%	17.32%	20.43%	40.36%
Median Family Income 2010 Census = \$49,114 FFIEC Updated Median Family Income for 2015 = \$54,363 Households Below Poverty Level = 14.65%			Median Housing value = \$81,512 2015 Unemployment Monroe County = 10.0% 2015 Unemployment Belmont County = 6.3%		

Source: 2010 Census data; US Department of Labor; Dun and Bradstreet 2010

Competition is strong. According to June 30, 2015 Federal Deposit Insurance Corporation (FDIC) data, there are 13 financial institutions operating 32 offices within the AA, which has a population of less than 25,000. These include community banks, regional and national financial institutions. FNBPP ranked eighth with a deposit market share of approximately 2.76 percent.

Based on 2015 Belmont County and Monroe County profiles, the composition of businesses in this AA are services, retail trade, construction, and agriculture. Major employers in the area include Belmont County Government, East Ohio Regional Hospital, Severstall Steel, Belmont Community Hospital, and the Barnsville Hospital.

Local economic conditions marginally improved during the evaluation period. While there has been some improvement in the state of new businesses and jobs moving into the area, there is sustained uncertainty regarding continued employment in the mining and manufacturing industries. By year-end 2015, the AA lost over 1,000 mining jobs and the volatility in oil prices has made the prospect of sustainable jobs in the energy industry unclear. The unadjusted unemployment rate for Belmont County as of April 30, 2016 was 8.1 percent, while Monroe County was 12.3 percent. Unemployment in Belmont County hit its peak in January 2013 at 10.8 percent. In 2015, unemployment in the county stabilized near six percent, however, the loss of energy and manufacturing jobs resulted in increased monthly unemployment levels to between 8.1 percent and 9.5 percent in 2016. Unemployment in Monroe County hit its peak in February 2014 at 14.4 percent. While unemployment stabilized in the county in 2015 near 10 percent, losses in manufacturing and energy jobs has increased monthly unemployment levels to between 12.3 and 13.8 percent in 2016. These unemployment rates are much higher than the State of Ohio 2015 unadjusted unemployment rate of 4.9 percent.

We determined the community's credit needs by contacting representatives from an affordable housing organization and an economic development organization, as well as conducting discussions with bank management and reviewing other information. Identified credit and non-credit needs of the community include:

- Funding for small business development programs to start a new business or expand a business, for entities who do not qualify for traditional financing.
- Local bank participation in providing home ownership counseling to affordable housing clients.
- Participation and involvement of bank management in local charitable organizations that benefit low-and moderate-income households.

Loan-to-Deposit Ratio

The bank's net loan to deposit ratio is less than reasonable and does not meet the standards for satisfactory performance given the bank's size, financial condition, and the credit needs of the bank's AA. The bank's average quarterly loan-to-deposit ratio over the 22 quarters ending March 31, 2016 was 26.67 percent. This was well below

the 43.61 percent experienced by its local peer group of banks during the same period. The banks local peer group included six local financial institutions ranging from \$47 million to \$562 million in assets.

Several factors have impacted lending opportunities in the area. Unemployment rates in portions of the AA are well above both state and national levels, and there is little demand for new housing due to a shrinking and aging population. According to 2010 census data, approximately 28 percent of households in the AA are retired, while 34 percent of households receive social security. Approximately 14.65 percent of households are below the poverty level. While these conditions limit lending opportunities, the bank’s loan-to-deposit ratio is lower than other area institutions.

Lending in the Assessment Area

FNBPP’s record of lending in its AA exceeds the standards for satisfactory performance. A substantial majority of lending activity has occurred inside the bank’s AA. Approximately 94 percent of the number of loans and 80 percent of loan dollars originated during the evaluation period were located within the bank’s AA, based on our review of loan samples, as reflected by-Table 1 below.

Table 1 - Lending in FNBPP’s Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgage	30	71.43	12	28.57	42	1,388	57.24	1,037	42.76	2,425
Consumer	64	85.33	11	14.67	75	580	83.94	111	16.06	691
Totals	94	80.34	23	19.66	117	1,968	63.16	1,148	36.84	3,116

Source: 42 Home Mortgage Loans and 75 Consumer Loans

Lending to Borrowers of Different Incomes

The distribution of loans reflects reasonable penetration among borrowers of different incomes and meets the standard for satisfactory performance. Refer to Table 2 for the primary data used to assess the borrower distribution of home mortgage lending and Table 3 for the primary data used to assess the borrower distribution of consumer lending in the AA.

Table 2 - Borrower Distribution of Home Mortgage Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Mortgage	18.06	16.67	24.61	10.00	24.53	13.33	32.80	60.00

The distribution of home mortgage loans reflects reasonable penetration among borrowers of different income levels. The percentage of home mortgage loans to low-income borrowers is near the percentage of low-income families in the area, while the percentage of loans to moderate-income families is lower than the percentage of moderate-income families in the area.

In evaluating the borrower distribution of home mortgage loans, we considered the number of households that live below the poverty level and the barriers that this may have on home ownership. It is especially difficult for the segment of the low-income population that lives below the poverty line to afford and maintain a home. This has an impact on the opportunity to lend to the low-income population of the community. Refer to the **Description of Assessment Areas** section for demographic information, including poverty rates.

Table 3 - Borrower Distribution of Consumer Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	21.89	22.58	17.32	22.58	20.43	27.41	40.36	27.41

Source: 2010 Census; Sample of 64 Consumer Loans in the AA

The distribution of consumer loans among borrowers of different income levels is good. The percentage of consumer loans to low income borrowers slightly exceeds the percentage of AA households that are low-income. The percentage of loans to moderate-income borrowers exceeds the percentage of AA households that are moderate-income.

Geographic Distribution of Loans

The overall geographic distribution of loans among geographies of different income levels is reasonable and meets the standard for satisfactory performance. While the distribution of home mortgage loans is poor, the distribution of consumer loans is good. Refer to Table 4 for the primary data used to assess the distribution of home mortgage lending and Table 5 for the primary data used to assess the distribution of consumer lending in the AA.

Table 4 - Geographic Distribution of Home Mortgage Loans in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of # of Loans	% of AA Owner Occupied Housing	% of # of Loans	% of AA Owner Occupied Housing	% of # of Loans	% of AA Owner Occupied Housing	% of # of Loans

Home Mortgage	4.18	3.33	9.40	0.00	86.42	96.67	0.00	0.00
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The distribution of home mortgage reflects poor dispersion among geographies of different income levels. None of the loans sampled were located in moderate-income tracts. The percentage of home mortgage loans in low-income census tracts is somewhat below the percentage of owner-occupied housing units located in those neighborhoods. When drawing overall geographic distribution conclusions, consideration was given to several other factors that impact home mortgage lending. Most of the AA’s moderate-income geographies are located the farthest distance from the bank’s office. Also, the AA is quite competitive, with large amounts of competition from regional and national lenders. The area’s unemployment level and uncertainty of continued employment, especially in the mining and energy sectors, have also impacted loan demand.

Table 5 - Geographic Distribution of Consumer Loans in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer	6.58	8.33	11.90	11.66	81.52	80.01	0.00	0.00

Source: 2010 Census; sample of 64 Consumer Loans in the AA

The distribution of consumer loans among geographies of different income levels is good. The percentage of consumer loans originated in low-income census tracts exceeds the percentage of households located in those neighborhoods. The percentage of loans in moderate-income census tracts substantially meets the percentage of households located in those census tracts.

Responses to Complaints

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

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank’s (bank) or Federal savings association’s (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank’s or FSA’s lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

