



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

June 26, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank Of Williamson
Charter Number 6830**

**68 E. Second Ave
Williamson, WV 25661**

**Comptroller of the Currency
ADC-Virginia (Roanoke)
3800 Electric Road Suite 204
Roanoke, VA 24018**

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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

We assigned the Community Reinvestment Act (CRA) rating 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

First National Bank of Williamson is a \$74MM community bank located in Williamson, WV. Since the last CRA Examination the bank has changed its corporate structure from a regular corporation to sub-chapter S status. The change to sub-chapter S status was effective as of December 31, 2001. First National Bank received a satisfactory CRA rating at its last CRA performance evaluation dated September 9, 1998.

First National Bank's main office is located in Williamson, WV. The main office and an off-site drive through are the bank's only locations. No offices have been opened or closed since the last CRA examination. The bank's only ATM (Automated Teller Machine) is located at its main office at the corner of Second Ave. and Logan Street, Williamson.

As of March 31, 2003, Williamson's total assets were approximately \$74MM with a net loan portfolio of \$37MM. Total loans represented 50.05% of total assets at that time. Deposits totaled \$59MM.

The bank offers a variety of traditional deposit and loan products to consumers, while 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.

Product Category	Gross Loans as of March 31, 2003*	
	Dollar (000's)	Percent
Commercial & Industrial Including Commercial Real Estate	\$6,975	18%
Residential Mortgage Loans	\$24,460	64%
Individuals	\$4,835	13%
Construction & Land Development	\$1,816	5%
All Other	\$182	nil
Total	\$38,268	100%

*Data obtained from call report.

We chose the primary loan types based on outstanding balances, information gathered from previous regulatory activities, 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, First National Bank makes a significant number of consumer loans, and as a result, it has been included as a primary loan type for evaluation purposes.

DESCRIPTION OF ASSESSMENT AREA

The assessment area (AA) of the First National Bank of Williamson is comprised of Mingo County, West Virginia in its entirety. The bank's headquarters is located in the city of Williamson, the seat of county government for Mingo County. First National Bank's AA meets the requirements of the CRA and does not arbitrarily exclude any low or moderate-income areas of Mingo County.

Mingo County is located in the southwestern portion of the state, approximately 80 miles southwest of the state capital, Charleston. Mingo County borders Pike County Kentucky separated by the Tug Fork River. According to the 1990 U.S. Census, the AA consists of seven census-track (CT) areas. Of these seven CTs, three are moderate-income (43% of total) and four are middle-income (57% 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 33,739 persons. According to the U.S. Department of Housing and Urban Development (HUD), the 1990 Census Weighted Average Median Family Income was \$22,654 and West Virginia's updated 2002 Weighted Average Median Family Income was \$32,400. There are 9,371 families making up 11,850 households within the AA. The income levels of these households are 43% moderate-income and 57% middle-income. Of these households, 34% receive social security income, while another 17% receive other types of public assistance. Housing types are typical

for rural West Virginia. Sixty-five percent of housing units are owner occupied. The demographic characteristics of First National Bank's AA are shown below.

Demographic Characteristics of Assessment Area		
Number of Geographies by Income Level:	Low-Income	0
	Moderate-Income	3
	Middle-Income	4
	Upper-Income	0
	N/A	0
Percent of Geographies by Income Level:	Low-Income	0
	Moderate-Income	42.86
	Middle-Income	57.14
	Upper-Income	0
	N/A	0
Percent of Population in each Tract:	Low-Income	0
	Moderate-Income	43.49
	Middle-Income	56.51
	Upper-Income	0
	N/A	0
Percent of Families by Income Level:	Low-Income	31.21
	Moderate-Income	15.92
	Middle-Income	16.22
	Upper-Income	36.65
Median Housing Characteristics:	Median Home Value	\$39,406
	Percent Owner-Occupied Units	65%
	Median Gross Rent	\$274
Median Income Data:	1990 Census Weighted Ave. Median Family Income	\$22,654
	Updated Weighted Ave. Median Family Income	\$32,400

The AA economy has experienced little to no growth since the last CRA examination. The economy of the AA continues to be heavily tied to the coal industry, while recent industry layoffs have served to only aggravate an already weak economy. The county's redevelopment authority and local government have made progress in encouraging a more diversified economy, but the process is slow. Mingo County presently has one of the highest unemployment rates in the state at 10.4% while the rate for the state is approximately 6.0%. The unemployment rate tends to fluctuate throughout the year, reflecting the ups and downs of the coal industry.

Based on census information, 98% of the businesses employ less than 49 employees. The area's top industries by distribution of employees are services, retail trade, transportation & communication, finance, insurance and real estate. Specifically, organizations employing the largest number of workers in the county include county government (primarily the Board of Education) and various coal producing companies. Banking competition in this assessment area is significant and consists of five FDIC-insured institutions varying in asset size. Only one bank,

the Bank of Mingo, is similarly situated in size and local ownership, to First National Bank of Williamson. Although the local branch of Community Trust Bank, (headquartered in Pikeville, KY) is of similar size; this is only a branch of Community Trust, which operates as a regional mid-size bank with widely dispersed ownership. Currently, BB&T holds a majority of deposits with 50% of the market. BB&T is a large regional bank headquartered in North Carolina. First National Bank currently holds approximately 16% of the market deposits (Refer to the deposit market share graph on the next page).

Community Contact

We conducted a community contact during this examination with a representative of the Mingo County Redevelopment Authority. Information obtained from this contact indicated that financial institutions are readily accessible and there were no special credit needs identified. Financial institutions are adequately meeting reasonable residential and business financing needs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

First National Bank’s loan-to-deposit ratio is reasonable in view of the community’s credit needs, demand for credit, and significant level of competition among local financial institutions. As of March 31, 2003, the bank’s loan-to-deposit ratio was 64.9%. The average quarterly loan to deposit ratio since the last Public Evaluation equals 64.6%.

Except for the Bank of Mingo, any loan-to-deposit comparison between First National and other local banks would not be meaningful. As indicated above, the Bank of Mingo is the only financial institution of similar size inside First National’s market area. The Bank of Mingo’s average quarterly loan to deposit ratio since First National’s last PE was completed is 60.6%. 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 good presence in the market. In terms of market share, First National ranked third within the local banking market, with 15.56% of deposits.

Institution Name	Deposit Market Share Inside of Market
Branch Banking & Trust Company	49.57%
Bank of Mingo	19.22%
First National Bank of Williamson	15.56%
Community Trust Bank, N.A.	15.50%
Pioneer Community Bank, Inc.	0.15%

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 First National’s loan portfolio originated since the last CRA examination. The sample consisted of residential real estate mortgage loans (REM), loans made for consumer purposes, as well as small business loans. This sample consisted of 30 REM loans, 26 consumer loans, and 30 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:

Lending Inside/Outside the Assessment Area (AA)								
	REM		Consumer		Small Business		Total loans	
	#	\$	#	\$	#	\$	#	\$
Inside AA	77%	77%	77%	81%	87%	92%	80%	86%
Outside AA	23%	23%	23%	19%	13%	8%	20%	14%
Total	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 First National’s assessment area. This sample consisted of 23 REM loans and 26 small business loans.

The table below illustrates the distribution of the 23 REM loans within the income levels compared to the percentage of families in each income level. The 23 loans represented \$1,011M 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 fair, while REM loans to middle-income borrowers was very good and actually exceeded the percent of middle-income families in the AA.

Borrower Distribution of Real Estate Mortgage Loans				
Family Income	Low	Moderate	Middle	Upper
% Families	31%	16%	16%	37%
% Bank # Loans	9%	9%	35%	47%
% Bank \$ Loans	4%	3%	33%	60%

The distribution of loans to small businesses (businesses with \$1 million or less in gross annual revenues) is good. From the original sample of 30 business loans taken in determining lending inside/outside the AA, there were 26 made inside the AA. All of these loans were made to businesses with \$1 million or less in gross annual revenues. The total amount loaned in these 26 loans was \$1,830M. 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. Twenty loans in the sample or 67% were small loans originating for less than \$100,000.

Businesses With Revenues of \$1 million or less		
% of Businesses in AA	% # Bank Loans	% \$ Bank Loans
97%	87%	92%

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 26 consumer loans in which 20 applicants lived inside the AA, the 20 loans were plotted to determine lending distribution throughout the AA. The three moderate-income tracts include 43% of the county’s population, while the four middle-income tracts contains 57% of the population. The loans analyzed represented \$111M 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. The bank’s lending pattern does not exhibit any conspicuous gaps or areas of low penetration.

Consumer Lending Throughout AA			
Income Tracts	Moderate	Middle	Total
% of AA population	43%	57%	100%
% by #	70%	30%	100%
% by \$	62%	38%	100%

Based on our original sample of 30 REM loans of which 23 were inside the AA, the loans were

plotted to determine lending throughout the AA. Forty-three percent of the AA that reside in owner occupied housing are in the moderate-income geography and 57% of the AA that reside in owner occupied housing reside in the middle-income geography. The 23 REM loans represented \$1,011M 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.

Real Estate Mortgage Loans Throughout AA			
Income Tracts	Moderate	Middle	Total
% of AA in owner occupied housing	43%	57%	100%
% by #	87%	13%	100%
% by \$	91%	9%	100%

Responses to Complaints

We have noted no CRA related complaints against the First National Bank of Williamson since the time of our last CRA Examination dated September 9, 1998.

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 our 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 August 1998.