

PUBLIC DISCLOSURE

February 3, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Community Bank, Inc.

05540160

P. O. Box 640

Buckhannon, West Virginia 26201

Federal Reserve Bank of Richmond

P. O. Box 27622

Richmond, Virginia 23261

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

This document is an evaluation of the Community Reinvestment Act (CRA) performance of First Community Bank, Inc., Buckhannon, West Virginia, prepared by the Federal Reserve Bank of Richmond, the institution's supervisory agency.

The evaluation represents the agency's current assessment and rating of the institution's CRA performance based on an examination conducted as of February 3, 1997. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under five performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

This institution is rated Satisfactory based on the findings presented in the following discussion of the institution's performance.

First Community Bank, Inc., serves its delineated communities primarily through direct lending to area residents and businesses. A full line of credit products is available throughout the local communities. An analysis of lending activity indicates that a substantial majority of credit extensions and denials occur within the bank's delineated communities, and the distribution of lending throughout the areas is considered reasonable. The institution's fair lending practices, policies, and procedures are appropriate and there is no evidence of disparate lending practices. Furthermore, the institution is generally aware of any community development and redevelopment programs within its community and periodically participates in such programs.

SCOPE OF EXAMINATION

An evaluation of First Community Bank, Inc., was conducted to assess CRA performance. The assessment was based on statements made by bank management and staff, minutes of the board of directors' meetings, various other bank records, and discussions with local public officials. The institution's performance was evaluated in the following categories: geographic distribution, marketing and types of credit offered and extended, community development, fair lending, and ascertainment of community credit needs.

PROFILE

Description of Institution

First Community Bank, Inc., operates 14 offices and eight automated teller machines (ATMs) located in Nicholas, Preston, Taylor, Upshur, Webster, and Wyoming Counties, West Virginia. On December 30, 1995, the bank, which had been the sole banking subsidiary of FCFT, Inc., segregated its Mercer County facilities to form a separate affiliated entity, First Community Bank of Mercer County, Inc. First Community Bank, Inc., subsequently expanded operations into Preston County, West Virginia, through the acquisition of two branch offices of Huntington National Bank on September 30, 1996.

As of December 31, 1996, the institution had total assets of \$357 million, of which 52% were loans. Various deposit and credit products are available through the institution, including loans for residential mortgage, commercial, and consumer purposes. A majority of the bank's loan portfolio (73%) consists of loans secured by one- to four-family residential properties and consumer loans including single payment, instalment, and student extensions.

Approximately 27% of the bank's loan portfolio consists of commercial and industrial loans or credit secured by farmland, multifamily residential properties, nonfarm nonresidential properties, or other real estate to be used for construction and land development. Based on the number of loans extended, consumer loans for automobiles, personal lines of credit, and other personal family or household purposes have been identified as the bank's primary credit products.

Due to the segregation of the Mercer County facilities, both total loans and total deposits have fallen dramatically over the previous six quarters. Furthermore, the purchase of the two Huntington National Bank facilities increased deposits for First Community Bank, Inc. No loans were sold in the transaction. The average loan-to-deposit ratio for this time period was 68%. As of September 1996, the average loan-to-deposit ratio for a majority of West Virginia institutions of similar asset size not headquartered within a Metropolitan Statistical Area (MSA) was 82%.

Reasonableness of Delineated Community

Conclusion/Support

The institution has delineated Nicholas, Preston, Taylor, Upshur, Webster, and Wyoming Counties, West Virginia as its local communities. Each county is viewed as a separate, independent community. These delineations meet the purpose of the regulation and do not exclude any low- and moderate-income neighborhoods.

Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

Conclusion/Support

The institution has supported projects promoting economic growth consistent with its size, financial capacity, and location.

Wyoming County is located in the southern portion of the state. The population of this county is 28,990. The local economy, which relies heavily on the declining coal mining industry, currently has an unemployment rate of 11%, while the unemployment rate for the State of West Virginia is currently 7.4%.

Nicholas and Webster Counties are located in the south central portion of the state and are primarily rural with respective populations of 26,755 and 10,279. Major industries in the area include coal mining, timber, and manufacturing. Nicholas County also enjoys some seasonal employment through regional tourism. The economies, however, remain depressed with unemployment rates of 11.4% for Nicholas County and 13.2% for Webster County.

Conclusion/Support--contd.

Taylor and Upshur Counties, located in the north central area of the state, have a total population of 38,011. These communities have traditionally relied on coal, gas, oil, and timber as the primary industries for employment. As these industries continue to decline, the area has focused on service oriented businesses such as education, health care, and manufacturing to provide future job opportunities. Current unemployment rates are relatively high in both Taylor (10.7%) and Upshur (9.7%) as the economies continue to adjust.

Preston County, West Virginia, the newest addition to the bank's trade area, is located northwest of Taylor County and borders the States of Pennsylvania and Maryland. The county has a population of 29,037 and a current unemployment rate of 10.6%. Major industries in the area include health care, manufacturing, and education. Additional employment opportunities are provided by public utilities and tourism.

Assessment Factor C - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

Conclusion/Support

The board of directors has adopted a CRA policy and CRA Statement that describe the bank's commitment and efforts to ascertain and serve the credit needs of its local community. In addition, the directorate receives quarterly reports concerning new loan activity and recent loan denials. A bank officer summarizes and presents this information in an additional annual report to the board.

CRA PERFORMANCE

I. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING BRANCHES

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

Conclusion/Support

The bank currently documents the geographic distribution of credit requests by zip code. Management prepares spreadsheets on a quarterly basis for analysis and board review. These reports reflect a reasonable loan penetration throughout the delineated community, including low- and moderate-income neighborhoods. The following chart demonstrates the bank's lending activity within its market area by number and dollar amount from January 1 through September 30, 1996.

Comparison of Credit Extended Inside and Outside of Assessment Area

	Inside Assessment Area	Outside Assessment Area	Total
Total Number of Loans	7,684	821	8,505
Percentage of Total Loans	90%	10%	100%
Total Amount of Loans (000's)	\$75,551	\$19,799	\$95,350
Percentage of Total Amount	79%	21%	100%

As illustrated above, a substantial majority of the number and dollar amount of loans generated during this time period have been provided to borrowers residing within the local communities. The bank is an active mortgage lender; a review of mortgage loans made during the same period revealed a similar distribution, with 88% of the number and 84% of the dollar amount extended to local residents. A majority of loan applications denied (85%) during the first three quarters of 1996 were also received from residents of the delineated communities.

Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.

Conclusion/Support

The institution operates 14 offices and eight ATMs that are accessible to all segments of its delineated communities, and hours of operation are considered convenient. Since the previous evaluation, First Community Bank, Inc., transferred its Mercer County operations to an affiliated institution and expanded into Preston County with the acquisition of two branch facilities of Huntington National Bank, Inc. A formal policy that outlines the procedures for branch closings has been adopted as required by the Federal Deposit Insurance Corporation Improvement Act of 1991. The policy encompasses all elements considered responsive to the bank's CRA obligations.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

Conclusion/Support

The CRA Statement, approved by the board of directors on February 20, 1996, identifies a full range of credit services including consumer residential mortgage, home improvement, residential construction, and commercial loans. These types of credit appear responsive to local credit needs and all types have been extended.

Conclusion/Support--contd.

Consumer loans continue to comprise a majority of the bank's total loan portfolio and primarily include credits secured by one- to four-family residential properties. As of December 31, 1996, these loans represented 49% of the total loans outstanding.

The institution provides a variety of financing for real estate related purposes. A review of bank records indicates that 497 home purchase and refinance loans totaling \$14.8 million and 682 other real estate secured loans totaling \$21 million were extended during 1996. In addition, 38 home equity lines of credit totaling \$1 million and 36 construction loans totaling \$1.6 million were made during the same time period.

Mobile home loans, which provide affordable housing to low- and moderate-income residents, are routinely made. During 1996, 35 mobile home purchase loans totaling \$1.2 million, 47 mobile home secured loans totaling \$1.1 million, and 226 unsecured mobile home loans totaling \$2.2 million were extended. Small dollar loans (3,394 during 1996) in amounts less than \$1,500 are also provided. These loans often help meet the credit needs of low- and moderate-income individuals.

While the institution is primarily a consumer lender, loans for various business needs are offered. During 1996, the bank made 765 commercial loans totaling \$40 million, consisting of new, renewed, and refinanced credits. The institution estimates that 85% of all commercial loans originated were extended to businesses with annual revenues of less than \$1 million for business start up, working capital, and expansion purposes.

Assessment Factor J - The institution's participation in governmentally insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.

Conclusion/Support

The bank is an approved Small Business Administration (SBA) lender. Two loans totaling \$98,700 were made by the institution under this program during 1996.

First Community Bank, Inc., has also participated in the West Virginia Housing Development Fund Home Repair Program. This program exists to facilitate the extension of subsidized credit to area residents in need of emergency repairs and necessary home improvements. The loans are initially made by the bank to the North Central West Virginia Low Income Housing Corporation, the entity which actually performs the work. The loans are then purchased by the West Virginia Housing Development Fund. Two such loans totaling \$18,385 were made during 1996.

The institution has also made loans to the North Central West Virginia Low Income Housing Corporation for the construction of low- and moderate-income housing (mostly within Taylor County). These credits are made under the guidelines of, and eventually assumed by, the Rural Housing and Community Development Service (RHCDS), formerly known as the Farmer's Home Administration (FmHA). The bank extended five such loans totaling \$231,089 during 1996.

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

Conclusion/Support

First Community Bank, Inc., advertises loan and deposit products in a variety of media including local newspapers and radio stations. Direct mail campaigns have also been utilized to increase community awareness and product knowledge. Although advertisements are generally institutional in nature, the bank periodically uses these mediums to promote new loan and deposit products. These marketing efforts appear adequate.

III. COMMUNITY DEVELOPMENT

Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.

Conclusion/Support

Through its outreach efforts, management is aware of community development activities within its local communities and displays a high level of willingness to participate in any such programs.

Community development is primarily supported through direct lending as evidenced by the volume of loans generated during 1996. Total loans currently represent over half of the institution's total assets; and lending levels demonstrate a general responsiveness to local credit needs given the struggling economies within the bank's local communities. Furthermore, the bank has provided a variety of credit services to meet local real estate and small business needs. As an indication of its community development efforts, the institution provided a partial listing of 13 small business start up loans totaling \$649,211 which resulted in approximately 44 new jobs within the delineated communities.

First Community Bank, Inc., participates in the North Central West Virginia Community Action Micro Loan Program. This lending program is designed to provide working capital and business start up capital for new and high-risk businesses. During 1996, the bank made 11 loans totaling \$106,436 to local businesses through the program.

As previously mentioned, the institution participated in the West Virginia Housing Development Fund Home Repair Program and the North Central West Virginia Low Income Housing Corporation loan programs. These programs provide financing for home repairs and home construction for low- and moderate-income residents.

Assessment Factor L - Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

Conclusion/Support

The bank routinely donates financial and technical assistance to various local nonprofit organizations, schools, and community groups. Financial donations to these types of organizations totaled \$18,240 in 1996. Furthermore, senior management, directors, and other bank personnel are actively involved with a variety of organizations including the local chambers of commerce, area housing organizations, and other community development corporations and industrial development authorities.

There appear to be no restrictions on the bank's ability to provide credit to the community consistent with its human and financial resources.

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

Conclusion/Support

A review was made of lending policies, forms, procedures, and 97 accepted and 103 denied loan applications for consumer and business credit; and an interview with a loan officer was performed to determine compliance with the fair housing and fair lending laws and regulations. The institution also performs a second review of all direct loan applications. No credit practices inconsistent with the substantive provisions of the fair housing and fair lending laws were identified. The review demonstrated an equal application of credit standards among all applicants.

Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

Conclusion/Support

Adequate policies and procedures supporting nondiscrimination in all lending and credit activities have been developed. Applications are solicited from all segments of the bank's delineated community, including low- and moderate-income neighborhoods.

V. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

Conclusion/Support

Outreach efforts continue to be strong and demonstrate a willingness by the institution to support local community development. Directors and officers maintain significant relationships with regional housing and economic development organizations, trade associations, and civic groups, thereby providing management valuable insight concerning local credit needs. Furthermore, area political, business, and community leaders and representatives from community organizations are frequently contacted to identify the needs and concerns of the local communities.