



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 13, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Citizens National Bank
Charter Number 12483**

**211 – 213 Third Street
Elkins, WV 26241**

**Comptroller of the Currency
West Virginia Field Office
Laidley Tower, Suite 730
500 Lee Street, East
Charleston, WV 25301**

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 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 areas.
- 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

Citizens National Bank (CNB) is a wholly owned subsidiary of Citizens Financial Corporation, a one-bank holding company. There have not been any major changes in the bank's corporate structure since the last CRA examination. CNB received a satisfactory CRA rating at its last CRA performance evaluation dated May 27, 1997. There are no legal or financial impediments to CNB's ability to meet the credit needs of its assessment area.

CNB's main office is located in Elkins, West Virginia. The bank also operates five full-service branch offices in West Virginia. Branches are located in Parsons, Beverly, Petersburg, Slatyfork, and Marlinton. The bank opened new branches in Slatyfork, Petersburg, and Marlinton since the last CRA examination. No branches have been closed. CNB operates seven depository Automated Teller Machines (ATMS) in the rating area.

As of June 30, 2002, CNB's assets totaled \$187 million, of which net loans comprise 59%. The following table reflects the composition of CNB's loan portfolio based on the June 30, 2002 call report.

Product Category	Gross Loans as of June 30, 2002*	
	Dollar (000's)	Percent
Commercial & Industrial Including Commercial Real Estate	\$41,499	37%
Residential Mortgage Loans	\$49,350	44%
Individuals	\$15,702	14%
Construction & Land Development	\$3,364	3%
All Other	\$2,245	2%
Total	\$112,160	100%

*Data obtained from call report.

We chose primary loan types based on outstanding balances and discussions with management about loan originations. As indicated in the table above, the bank's primary loan types based on outstanding balances are commercial loans and residential mortgage 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, CNB makes a significant number of consumer loans so we included it as a primary loan type for evaluation purposes.

DESCRIPTION OF ASSESSMENT AREAS

The bank has one assessment areas (AA) located entirely in West Virginia. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies.

The AA consists of Grant, Pocahontas, Tucker and Randolph counties. This four county area is located in the central/eastern portion of the state in the Allegheny Mountain region.

Unemployment for Randolph County is 5.5%, 7.6% for Tucker County, 6.4% for Grant County, and 6% for Pocahontas County compared to the state average of 5.5%. Population for this assessment area is 54,967. The area's top three industries by distribution of employees are manufacturing, retail trade, and services. Largest employers include Bruce Hardwoods, Davis Memorial Hospital, and County Boards of Education. Competition in this assessment area is strong and consists of 26 branches of FDIC-insured institutions representing 11 banks varying in asset size.

Demographic Characteristics of Assessment Area

<u>Number of Geographies by Income Level:</u>	Low-Income Moderate-Income Middle-Income Upper-Income N/A	0 0 16 0 2
<u>Percent of Geographies by Income Level:</u>	Low-Income Moderate-Income Middle-Income Upper-Income N/A	0 89.89 0 0 11.11
<u>Percent of Population in each Tract</u>	Low-Income Moderate-Income Middle-Income Upper-Income N/A	0 0 100 0 0
<u>Percent of Families by Income Level:</u>	Low-Income Moderate-Income Middle-Income Upper-Income	20.23 18.73 22.90 38.13
<u>Median Housing Characteristics</u>	Median Home Value Percent Owner-Occupied Units Median Gross Rent	\$43,948 60.59 \$260
<u>Median Income Data:</u>	1990 Census Median Family Income Updated Median Family Income	\$22,374 \$32,400

Community Contact

We conducted one community contact during this examination with a representative of a non-profit economic development group in CNB's AA. Information obtained from that contact

indicated that financial institutions are readily accessible. Financing and education for start up and small businesses were identified as needs. Financial institutions are adequately meeting reasonable business equity financing needs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Given the bank's size and location, CNB's loan to deposit ratio is reasonable. A review of bank data reveals that CNB is similarly situated to Davis Trust Company and Mountain Valley Bank. All institutions offer similar credit products and operate in portions of the same assessment area. CNB's average loan to deposit ratio the last 20 quarters beginning June 30, 1997, equals 76%. The following table compares the average loan to deposit ratio of CNB to similarly situated banks.

Institution Name	Loan to Deposit Ratio Comparison with similarly situated banks
Citizens NB	76%
Mountain Valley	62%
Davis Trust Company	87%

Lending in Assessment Areas

The bank originated a majority of its total loans within their assessment area. The table that follows summarizes the results of our review of loans made in CNB's assessment area between May 27, 1997 and June 30, 2002.

Lending Inside/Outside the Assessment Area

Assessment Area:	Home Mortgage		Consumer		Small Loans to Businesses		Total Loans	
	%Inside	%Outside	%Inside	%Outside	%Inside	%Outside	%Inside	%Outside
Citizens NB	93	7	84	16	91	9	90	10

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 data maintained by the bank. CNB tracks income and geographic information for loan originations. We tested the reliability of CNB's data by sampling loan files for the primary loan types. We found the data to be accurate and reliable.

Borrower Distribution of Home Mortgage Loans

Assessment Area:	Low-Income Families			Moderate-Income Families			Middle-Income Families			Upper-Income Families		
	% Families	% BANK # Loans	% BANK \$ Loans	% Families	% BANK # Loans	% BANK \$ Loans	% Families	% BANK # Loans	% BANK \$ Loans	% Families	% BANK # Loans	% BANK \$ Loans
CNB	20	8	4	19	21	12	23	30	26	38	41	58

The table above illustrates the distribution of home mortgage loans within the income levels compared to the percentage of families in each income level. The distribution of home mortgage loans to low-income borrowers is reasonable. The distribution is 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 home mortgage loans to moderate-income borrowers is excellent. The distribution of the number of bank loans exceeds the percent of moderate-income families in the AA.

Borrower Distribution of Consumer Loans

Assessment Area:	Low-Income Households			Moderate-Income Households			Middle-Income Households			Upper-Income Households		
	% HH	% BANK # Loans	% BANK \$ Loans	% HH	% BANK # Loans	% BANK \$ Loans	% HH	% BANK # Loans	% BANK \$ Loans	% HH	% BANK # Loans	% BANK \$ Loans
CNB	24	27	15	16	27	25	20	25	26	40	21	34

The table above illustrates the distribution of consumer loans within the income levels compared to the percentage of households in each income level. The distribution of consumer loans to low- and moderate-income borrowers is excellent. The distribution of loans (by number) to low-income borrowers exceeds the percentage of households in the AA. The distribution of loans (by number and dollar) to moderate-income individuals exceeds the percentage of households in the AA.

Borrower Distribution of Small Loans to Businesses

		Businesses With Revenues of \$1 million or less		
Assessment Area:		% of Businesses	% # BANK Loans	% \$ Bank Loans
CNB		91	91	64

The distribution of loans to small businesses (businesses with \$1 million or less in gross annual revenues) is good. The percentage of bank loans (by number) equals the percentage of small businesses in the AA. The percentage of bank loans (by dollar) is lower than the percentage of businesses in the AA.

Geographic Distribution of Loans

There are no low- or moderate-income geographies in CNB's AA. Geographic analysis would

not be meaningful.

Responses to Complaints

CNB has not received any CRA-related complaints since the May 27, 1997 CRA examination.

Fair Lending Review

An analysis of the most recent years 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.