

PUBLIC DISCLOSURE

June 1, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Bank & Trust Company of Tennessee

Johnson City, Tennessee

RSSD ID NUMBER: 2353698

Federal Reserve Bank of Atlanta
104 Marietta Street, N.W.
Atlanta, Georgia 30303-2713

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to the 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

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of First Bank and Trust Company of Tennessee prepared by the Federal Reserve Bank of Atlanta, the institution's supervisory agency, as of June 1, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

A review of First Bank and Trust Company indicated a good loan-to-deposit ratio and a substantial majority of the bank's lending within its assessment area. The review revealed a reasonable penetration of loans to borrowers of different incomes and businesses of different sizes and an adequate geographic distribution of lending throughout the assessment area. No CRA-related complaints were received since the preceding performance evaluation

DESCRIPTION OF INSTITUTION

First Bank and Trust Company of Tennessee (First Bank and Trust) opened for business in December 1995 in Johnson City, Tennessee. This community banking institution serves portions of Washington and Sullivan Counties in Tennessee as well as the city of Bristol in both Virginia and Tennessee. In addition to the main office in Johnson City, First Bank and Trust operates a branch office in Bristol, Tennessee. Both offices are full service facilities that include drive-through windows with extended business hours. From June 30, 1997, to March 31, 1999, total assets grew from \$33.1 million to \$53.6 million. As of March 31, 1999, net loans totaled \$40.1 million and total deposits totaled \$48.3 million. First Bank and Trust is owned by First Bankcorp, Inc., of Abingdon, Virginia, a two-bank holding company. As a result of the preceding CRA Performance Evaluation dated June 2, 1997, the bank received a "Satisfactory" rating.

First Bank and Trust offers a wide variety of credit products to meet community credit needs such as commercial, consumer, and real estate loans. The volume of nonfarm nonresidential and one- to four-family real estate lending has increased since the preceding examination because of the steady growth occurring in the area. The bank's business strategy primarily encourages residential and commercial real estate loans.

The composition of the loan portfolio according to the March 31, 1999, Consolidated Reports of Condition and Income is as follows:

COMPOSITION OF LOAN PORTFOLIO AS OF MARCH 31, 1999*		
Loan Type	\$ (000s)	Percent
Construction and Development	\$2,393	6.0%
Secured by One- to Four- Family Dwellings	\$12,613	31.4%
Other Real Estate:		
Farmland	\$431	1.1%
Multifamily	\$454	1.1%
Nonfarm nonresidential	\$16,094	40.1%
Commercial and Industrial	\$3,692	9.2%
Loans to Individuals	\$4,294	10.7%
Agricultural Loans	\$163	0.4%
<i>Total</i>	<i>\$40,134</i>	<i>100.0%</i>

* This table does not include the entire loan portfolio. Specifically, it excludes loans to depository institutions, bankers acceptances, lease financing receivables, obligations of state and political subdivisions, and other loans that do not meet any other category. Contra assets are also not included in this table.

DESCRIPTION OF INSTITUTION (Continued)

First Bank and Trust complies with the CRA. No known legal impediments exist that would restrain the bank from meeting the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA: Johnson City / Bristol Assessment Area

Overview

First Bank and Trust is located in the Bristol-Johnson City-Kingsport Metropolitan Statistical Area (MSA). Bank management has identified 35 census tracts within this MSA as the bank's assessment area. This assessment area encompasses the eastern portions of Washington and Sullivan Counties in Tennessee, plus the area within the city limits of Bristol, Virginia. Bristol is a twin city located directly on the Tennessee-Virginia state line; however Bristol, Tennessee and Bristol, Virginia are independent cities. This designated area does not contain any low-income census tracts. Of the total census tracts, 9 are moderate-income, 16 are middle-income, and 10 are upper-income. With the exception of one census tract, the moderate-income census tracts are small in size and are clustered mainly around Johnson City in Washington County and the twin cities of Bristol in Virginia and Tennessee (Sullivan County). Demographic information by census tract is contained on the following page of this report.

First Bank and Trust has not arbitrarily excluded any low- or moderate-income census tracts. A review of the income designations of the census tracts in Washington and Sullivan Counties that are not included in the bank's assessment area identified two low-income census tracts and four moderate-income census tracts. One of the low-income tracts and all four moderate-income tracts are located in Kingsport, Tennessee in western Sullivan County. Kingsport is approximately 23 miles from each of First Bank and Trust's offices and is currently served by 19 different financial institutions with a total of 35 branch offices. The remaining low-income census tract is a small tract located on the southern border of Washington County. According to the 1990 Census, that tract has no population and no housing. Based on this analysis, the bank's assessment area meets the requirements of the regulation.

Overall, the assessment area has been experiencing economic growth. This growth is illustrated by the income, unemployment, and housing characteristics discussed below. However, the demographic data coupled with information received from community contacts indicates that not all residents of the assessment area have benefited from the strong economy.

Demographic Data by Census Tract

The table on the following page provides 1990 Census demographic information that was used in analyzing the bank's CRA performance. Certain components of the data in the table are discussed in the report as they apply to particular parts of the analysis.

DESCRIPTION OF ASSESSMENT AREA: Johnson City / Bristol Assessment Area (continued)

DEMOGRAPHIC ANALYSIS - FIRST BANK & TRUST						
Distribution of Tracts	Number			Percent		
Low-Income Tracts	0			0.0%		
Moderate-Income Tracts	9			25.7%		
Middle-Income Tracts	16			45.7%		
Upper-Income Tracts	10			28.6%		
<i>Total Assessment Area</i>	35			100.0%		
Housing Units - Tract Distribution	Owner-Occupied		Rental		Vacant	
Low-Income Tracts	0	0.0%	0	0.0%	0	0.0%
Moderate-Income Tracts	6,641	14.5%	6,182	30.9%	1,422	28.9%
Middle-Income Tracts	27,204	59.3%	8,698	43.5%	2,456	49.9%
Upper-Income Tracts	12,001	26.2%	5,136	25.7%	1,046	21.2%
<i>Total</i>	45,846	100.0%	20,016	100.0%	4,924	100.0%
Housing Units - Percentage in Tract						
Low-Income Tracts	0.0%		0.0%		0.0%	
Moderate-Income Tracts	46.6%		43.4%		10.0%	
Middle-Income Tracts	70.9%		22.7%		6.4%	
Upper-Income Tracts	66.0%		28.2%		5.8%	
<i>Total Assessment Area</i>	64.8%		28.3%		7.0%	
Population - Tract Distribution	Families		Households		Population	
Low-Income Tracts	0	0.0%	0	0.0%	0	0.0%
Moderate-Income Tracts	8,043	17.0%	12,694	19.3%	32,775	25.7%
Middle-Income Tracts	27,150	57.4%	35,894	54.7%	92,866	45.7%
Upper-Income Tracts	12,133	25.6%	17,089	26.0%	43,037	28.6%
<i>Total</i>	47,326	100.0%	65,677	100.0%	168,678	100.0%
Population - Percentage by Income						
Low-Income	9,538	20.2%	15,870	24.2%		
Moderate-Income	8,232	17.4%	10,301	15.7%		
Middle-Income	9,715	20.5%	11,138	17.0%		
Upper-Income	19,841	41.9%	28,368	43.2%		
<i>Total</i>	47,326	100.0%	65,677	100.0%		
Families - Tract Distribution	Families < Poverty Level		Low-Income Families	Moderate-Income	Middle-Income	Upper-Income
Low-Income Tracts	0.0%		0.0%	0.0%	0.0%	0.0%
Moderate-Income Tracts	29.5%		27.7%	23.4%	15.2%	10.1%
Middle-Income Tracts	58.3%		58.9%	59.4%	61.3%	53.9%
Upper-Income Tracts	12.2%		13.3%	17.2%	23.6%	36.1%
<i>Total</i>	100.0%		100.0%	100.0%	100.0%	100.0%
Families - Percentage in Tract						
Low-Income Tracts	0.0%		0.0%	0.0%	0.0%	0.0%
Moderate-Income Tracts	20.0%		32.9%	24.0%	18.3%	24.8%
Middle-Income Tracts	11.7%		20.7%	18.0%	21.9%	39.4%
Upper-Income Tracts	5.5%		10.5%	11.7%	18.9%	59.0%
<i>Total Assessment Area</i>	11.6%		20.2%	17.4%	20.5%	41.9%
Households Receiving Public Assistance	7.8%					
Median Family Income	\$28,338					
Population Age	Age 65 and Over			Age 18 and Over		
	14.2%			77.9%		

Totals in percentage columns are calculated independently and may not be exactly equal to the sum of the components due to rounding of the components. These rounding errors are immaterial and have no effect on related analyses or conclusions.

DESCRIPTION OF ASSESSMENT AREA: Johnson City / Bristol Assessment Area (continued)

Income Definitions

In the above table and throughout this evaluation, the following definitions are used for the various income levels. These levels are defined in the CRA.

Low-Income - An individual income, or median family income for geographies, that is less than 50 percent of the area median income.

Moderate-Income - An individual income, or median family income for geographies, that is at least 50 percent but less than 80 percent of the area median income.

Middle-Income - An individual income, or median family income for geographies, that is at least 80 percent but less than 120 percent of the area median income.

Upper-Income - An individual income, or median family income for geographies, that is 120 percent or more of the area median income.

Income Characteristics

As indicated in the table on the preceding page, as of the 1990 Census, the assessment area had a population of 168,678, and contained 47,326 families. Low- and moderate-income families represented 20 percent and 17 percent of the assessment area's families, respectively, and 12 percent of the families in the assessment area were below the poverty level. According to the 1990 Census data, the median family income for the assessment area was \$28,338, which was slightly more than the median family income of \$27,236 for the Bristol-Johnson City-Kingsport MSA. According to the Department of Housing and Urban Development, 1997 median family income for the MSA was \$34,000.

Housing Data

1990 Census data show that the median housing value for owner-occupied units in the assessment area was \$54,160. Housing in the assessment area was primarily comprised of single units (67 percent). The median age of the housing stock was 36 years and 23 percent of the housing units in the assessment area were built before 1950. As of the 1990 Census, the majority, or 54 percent, of the total housing units and 59 percent of the owner-occupied housing units were located in the assessment area's middle-income census tracts. Only 20 percent of the total housing units and 15 percent of the owner-occupied housing units in the assessment area were located in moderate-income census tracts. Of the 14,245 housing units located in the moderate-income census tracts, 47 percent were owner-occupied units, 43 percent were rental units, and 10 percent were vacant.

DESCRIPTION OF ASSESSMENT AREA: Johnson City / Bristol Assessment Area (continued)

According to Building Permit Information from the US Bureau of Census, the MSA has been experiencing an increase in new residential permits, particularly for one- to four-family units. In 1992, 1,061 new residential permits were issued in the MSA, with 80 percent of those permits being issued for one- to four-family dwellings. In 1996, 1,794 new residential permits were issued in the MSA, with 86 percent of those permits being issued for one- to four-family dwellings.

Employment Statistics

A review of the economic statistics revealed that the MSA and the bank's assessment area have been experiencing an increase in population and a decrease in unemployment. The 1996 U.S. Bureau of Labor Statistics Employment and Unemployment Information for the entire MSA indicated a 5 percent increase in the total establishment employment between 1993 and 1996, with the largest employment increase of 14 percent occurring in the Services sector.

The 1995 Employment, Income, and Population Information from the Regional Economic Information System (REIS) for Sullivan County noted a 3 percent increase in population and a 6 percent increase in total full- and part-time employment from 1990 through 1995. REIS Statistics for the same time period for Washington County noted larger increases in both statistics with a 7 percent increase in population and a 15 percent increase in total full- and part-time employment. As of 1995, the manufacturing, retail trade, and services industries had the greatest number of employees in Washington and Sullivan Counties. No corresponding data was available for Bristol, Virginia.

As of April 1999, the unemployment rate for both Washington and Sullivan Counties was 4 percent. While these statistics were not seasonally adjusted, they compare favorably to the statistics generated as a result of the 1990 Census. According to the 1990 Census, the seasonally adjusted percentage of the total labor force that was unemployed was 6 percent.

Business Size Characteristics

The following table provides key demographic business data by census tracts within the majority of First Community Bank and Trust's assessment area. The four census tracts in Bristol, VA are not included in this data. This table illustrates that at the time of the 1990 Census, 89 percent of the businesses in the majority of the bank's assessment area had total revenues less than \$1 million and were therefore considered to be small businesses.

DESCRIPTION OF ASSESSMENT AREA: Johnson City / Bristol Assessment Area (continued)

BUSINESS DEMOGRAPHICS- FIRST BANK AND TRUST						
Percentage in Tract	Total Businesses		Businesses with Revenue:			
			Under \$1 Million		\$1 Million and Greater	
Low-Income Tracts	0	0.0%	0	0.0%	0	0.0%
Moderate-Income Tracts	1,083	24.4%	959	24.4%	124	25.1%
Middle-Income Tracts	2,095	47.3%	1,889	48.0%	206	41.7%
Upper-Income Tracts	1,253	28.3%	1,089	27.7%	164	33.2%
Tract Not Reported	0	0.0%	0	0.0%	0	0.0%
<i>Total</i>	<i>4,431</i>	<i>100.0%</i>	<i>3,937</i>	<i>100.0%</i>	<i>494</i>	<i>100.0%</i>

Competition

First Bank and Trust is located in a highly competitive market. However, the level of competition is considered to be typical given the bank's size, local area population, and the positive economic growth currently being experienced in the area. The competition comes mainly from nine banks. These banks are state-wide, multi-regional, and national banks, most with resources substantially greater than that of First Bank and Trust. However, local competing banks do not appear to adversely affect the bank's ability to serve the credit needs of its assessment area.

Community Contacts

As a part of the CRA Performance Evaluation, information was obtained from two community leaders regarding local economic conditions and community credit needs. The contacts acknowledged the positive economic trends in the area but indicated that these conditions have not resulted in prosperity for all the residents of the area. The contacts indicated that the primary credit need is affordable owner-occupied and rental housing.

The contacts indicated an increase in working poor, particularly single parents, which has resulted in an increase in requests for mortgage and rent assistance. According to the contacts, the current building trend in the assessment area is focused on higher priced housing. A lack of building activity of unsubsidized rental units plus an almost total lack of subsidized rental units produced during the last few years have created a situation of extremely low vacancy rates and rising rental rates. Contacts also suggested that many of the rental units in the area have been allowed to deteriorate to the point that many are unsafe, do not meet building codes, or are uninhabitable.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio Analysis

First Bank and Trust's loan-to-deposit ratio meets the standards for a satisfactory performance. Based on the information from the bank's Consolidated Reports of Condition and Income, the bank's average loan-to-deposit ratio for the eight quarters ending March 31, 1999, was 79 percent. This ratio represents an increase from the 64 percent six-quarter average ending March 31, 1997, which was discussed in the preceding CRA Performance Evaluation.

This ratio was compared with the loan-to-deposit ratio of the only other institution operating within the bank's assessment area with an asset size less than \$250 million. The average loan-to-deposit ratio for the peer bank during the same eight-quarter time period was 87 percent. First Bank and Trust's loan-to-deposit ratio for the past four quarters has ranged from 83 percent to 88 percent, which is consistent with the peer bank.

Lending in Assessment Area

First Bank and Trust's lending in the assessment area meets the standards for satisfactory performance. A sample of 72 residential mortgage loans and 93 small business loans originated since the preceding performance evaluation were analyzed to determine the extent of the bank's lending inside the assessment area. As illustrated in the following table, a substantial majority by number and dollar volume of the bank's residential mortgage loans sampled and small business loans sampled were made within the assessment area.

LENDING INSIDE AND OUTSIDE ASSESSMENT AREA										
Loan Type	IN				OUT				TOTALS	
	Number	Percent	\$(000s)	Percent	Number	Percent	\$(000s)	Percent	Number	\$(000s)
Residential Loans	59	82%	\$4,250	81%	13	18%	\$1,020	19%	72	\$5,270
Small Business	77	83%	\$3,644	56%	16	17%	\$2,828	44%	93	\$6,472
TOTAL	136	82%	\$7,894	67%	29	18%	\$3,848	33%	165	\$11,742

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (continued)

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

To assess First Bank and Trust's performance relative to this criteria, the 59 residential real estate loans secured by property located within the bank's assessment area and the 77 small business loans originated within the bank's assessment area were analyzed. Borrower income classifications were assigned in accordance with the definitions outlined earlier in this report.

Lending to Borrowers of Different Incomes

First Bank and Trust's distribution of lending by income levels of borrowers meets the standards for a satisfactory performance. The first two columns of the table below illustrate that 22 percent of the bank's residential real estate loans sampled were originated to low- or moderate-income borrowers. These levels are adequate considering the demographics of the assessment area and certain housing information provided by the community contacts.

The third column of the table indicates that as of the 1990 Census, approximately 20 percent of the families in the bank's assessment area were considered low-income. As indicated earlier in this report, 12 percent of the families in the bank's assessment area were below the poverty level. While these families are not ineligible for credit, it is recognized that they have a lower capacity for debt repayment and therefore, may not qualify for residential real estate loans. However, the low volume of residential real estate lending to low-income borrowers also supports the community contacts' observation of an overall lack of affordable housing in the area.

RESIDENTIAL REAL ESTATE LENDING BY BORROWER INCOME LEVEL			
	Number of Loans	% of Total Loans	% of Families in Assessment Area
Borrower Income Level:			
Low-Income	3	5%	20%
Moderate-Income	10	17%	17%
Middle-Income	14	24%	21%
Upper-Income	32	54%	42%
<i>TOTAL</i>	59	100%	100%

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (continued)

Lending to Businesses of Different Sizes

First Bank and Trust's record of lending to businesses of different sizes is considered to be satisfactory and commensurate with the business demographics of the bank's assessment area. Of the sample of 77 small business loans within the bank's assessment area, 63 loans, or 82 percent, were originated to businesses with gross annual revenues of less than \$1 million. In addition, 71 percent of the dollar volume of small business loan originations sampled were to small businesses. As noted earlier, 89 percent of the businesses in the MSA are considered small businesses.

Geographic Distribution of Loans

First Bank and Trust meets the standards for a satisfactory performance in this category. The 59 residential real estate loans secured by property inside the bank's assessment area and the 77 small business loans originated inside the bank's assessment area were used to determine the distribution of lending activity by census tract. The table below illustrates the bank's distribution of lending by census tract income designation.

GEOGRAPHIC DISTRIBUTION		
Tract Income Level:	Residential Real Estate	
Low-Income*	0	0%
Moderate-Income	4	7%
Middle-Income	30	51%
Upper Income	25	42%
<i>TOTAL</i>	59	100%
	Small Business	
Low-Income*	0	0%
Moderate-Income	5	6%
Middle-Income	40	52%
Upper-Income	32	42%
<i>TOTAL</i>	77	100%

*The bank's assessment area does not contain census tracts designated low-income.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (continued)

On the surface, the First Bank and Trust's levels of lending in moderate-income census tracts appears to be low. However, the bank's performance may be mitigated by the fact that only 17 percent of the total families in the assessment area lived in moderate-income census tracts as of the 1990 Census. Also, at that same time, 57 percent of the total families and 59 percent of the low- and moderate-income families in the assessment area lived in middle-income census tracts.

Consideration should also be given to the age of the demographic data coupled with the level of growth in the assessment area. The high level of economic expansion has resulted in an increase in population as well as a high level of new construction. Both bank personnel and community contacts were of the opinion that the demographic characteristics of the area have changed during the past decade.

The levels of economic growth and the location of the new construction in the area also appear to have affected the location of the bank's lending. Six of the ten upper-income census tracts in the bank's assessment area are located adjacent to or very near Interstate 181. As noted earlier, these census tracts are substantially larger in size than the moderate-income census tracts. During the recent review, an extremely high level of commercial and residential construction in the Interstate 181 corridor was observed. The high level of new construction in these census tracts possibly correlates with the high levels of lending in these census tracts and further mitigates the bank's performance in this category.

Complaints

No CRA-related complaints have been received since the preceding performance evaluation.

Compliance with Antidiscrimination Laws and Regulations

Bank management has developed and implemented loan policies and procedures for the types of credit the bank offers. An examination of the bank's compliance with Fair Lending Laws and Regulations was conducted concurrently with the CRA Performance Evaluation. That examination revealed no evidence of any practices intended to discourage individuals from applying for the types of credit the bank offers. A judgmentally selected sample of loan application files was reviewed to determine the level of compliance with the requirements of the Equal Credit Opportunity Act and the Fair Housing Act. No violations of the substantive provisions of the antidiscrimination laws and regulations were identified.