FINANCIAL
report

Analysis Of Earning Assets And Interest Bearing Liabilities

In Thousands of Dollars

	1999			1998		
ASSETS	Avg. Balance	Interest	Yield/Rate	Avg. Balance	Interest	Yield/Rate
Loans						
Commercial (1)	76,971	6,656	8.65%	72,016	6,355	8.82%
Real Estate	150,660	12,259	8.14%	142,350	11,791	8.27%
Installment	20,387	1,975	9.69%	22,297	2,184	9.80%
Total Loans	248,018	20,890	8.42%	236,843	20,330	8.58%
Securities (3)						
Taxable	83,184	4,589	5.52%	89,694	4,978	5.55%
Tax-Exempt (2)	2,986	258	8.63%	3,416	288	8.43%
Total Securities (2)	86,170	4,847	5.62%	93,110	5,266	5.66%
Federal Funds Sold	61,471	2,937	4.78%	36,860	1,837	4.98%
Total Earning Assets (2)	395,659	28,674	7.25%	366,813	27,433	7.48%
Cash and Due from Banks	16,997			15,739		
Premises and Equipment, Net	1,375			1,431		
Other Assets	3,272			3,429		
Allowance for Loan Losses	(2,655)			(2,308)		
Total Assets	414,648			385,104		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Interest Bearing Deposits						
Super NOW and MMDA	112,595	4,540	4.00%	103,641	4,101	3.96%
Savings	19,169	578	3.02%	18,785	607	3.23%
Time	212,499	11,903	5.60%	197,263	11,346	5.75%
Total Interest Bearing Deposits	344,263	16,985	4.93%	319,689	16,054	5.02%
Long-Term Borrowings	0	0	0	0	0	0
Total Interest Bearing Liabilities	344,263	16,985	4.93%	319,689	16,504	5.02%
Noninterest Bearing Deposits	32,342			29,926		
Accrued Expenses and Other Liabilities	2,547			2,287		
Equity	35,496			33,202		
Total Liabilities and Equity	414,648			385,104		
Net Interest Margin (2)	395,659	11,689	2.95%	366,813	11,379	3.10%

(1) Includes loans on nonaccrual status.

(2) Tax-exempt income converted to a fully tax-equivalent basis assuming a tax rate of 34%.

(3) Average balance represents book value.

Rate Sensitivity Analysis As Of December 31, 1999

In Thousands of Dollars

REPRICING INTERVAL	Three Months Or Less	Three To Twelve Months	One To Three Years	Three To Five Years	Five To Fifteen Years	Over Fifteen Years
ASSETS						
Total Loans (1)	$ 69,326	$ 1,544	$ 11,387	$ 17,886	$ 86,753	$ 69,143
Investment Securities (2)	25,830	12,739	5,020	16,071	20,359	1,312
Federal Funds Sold	55,000	0	0	0	0	0
Total Selected Assests	150,156	14,283	16,407	33,957	107,112	70,455
LIABILITIES						
Interest Bearing Deposits (3)	$105,358	$ 71,739	$ 34,240	$ 156	0	0
Borrowed Funds	0	0	0	0	0	0
Total Selected Liabilities	105,358	71,739	34,240	156	0	0
Differences	$ 44,798	($ 57,456)	($ 17,833)	$ 33,801	$ 107,112	$ 70,455
Cummulative Differences	$ 44,798	($ 12,658)	($ 30,491)	$ 3,310	$ 110,422	$ 180,877

(1) Does not include loans on nonaccrual status.

(2) Does not include Federal Reserve Stock or securities on nonaccrual status. Reported values based upon book value.

(3) Does not include Super NOW, Money Market Deposit Accounts or traditional savings deposits.

Management's Discussion and Analysis of Financial Condition and Results of Operation

Summary

The economic picture in West Virginia continued to show the positive effects from a growing national economy in 1999. The state's unemployment rate was 6% at the end of December of 1999, which tied with the rate of December of 1998. This rate is also the lowest for a December since the present calculation was established in 1976. The rate for all of 1999 averaged 6.6%, which tied 1998's average as the lowest since 1978. The nation's unemployment rate was 4.1%. The source of the largest gain is in the service-producing sector while mining and construction have produced the most significant losses. Locally, the counties of Putnam, Kanawha and Cabell have performed better than average with respect to unemployment statistics with Lincoln and Mason counties performing below average.

Putnam County contributes a great deal to the economic vitality in the state. The county's geographic location between two of the state's largest cities remains a prime cause of this growth. Commercial development has continued through 1999. This has been evident in Teays Valley as well as in the Buffalo area as a result of Toyota's expansion there. The expansion of Route 35 from Teays Valley to Point Pleasant continues to move forward. The discussion continues on the possibility of a regional airport in Lincoln County; the positive impact which could be seen for Putnam County as well. Increased activity is also evident in eastern Cabell County as a new power transmission plant is to be built in Culloden with completion of the facility scheduled for 2004.

The operating results and financial condition of Putnam Bancshares, Inc. (referred throughout as "the Company") is presented and analyzed with the following narrative, which includes tables and charts. It is important that this narrative be read in conjunction with the Consolidated Balance Sheets, Statements of Income, Changes in Shareholders' Equity, Statements of Cash Flows, and Notes to Consolidated Financial Statements (beginning on page F12 and ending on page F16).

Throughout this narrative, references will be made comparing the Company to members in its "peer group". The Company's "peer group" is determined by the Federal Reserve Board's Division of Banking and Supervision and consists of all bank holding companies with consolidated total assets between $300 million and $500 million. The Federal Reserve Board publishes a quarterly Bank Holding Company Report, which provides statistical performance measures on companies formulated from quarterly regulatory reports filed with the Board.

Net Interest Income

Net interest income represents income from all income-yielding sources (i.e. loans, investments) reduced by the amount of expense from interest-bearing liabilities (i.e. deposits, borrowings). Bancshares' net interest income increased $322 thousand or 3% from the years ending 1998 to 1999. This compares with a $34 thousand increase for years ending 1997 to 1998. A principal cause for this is an increased volume in federal funds sold and lending, principally mortgage lending.

The Company's net interest income-to-average assets ratio was 2.95% in 1999 compared with 3.10% in 1998. This margin compares low to peer institutions. This decline is a result of a decline in asset yields, which was in greater proportion than the

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Bank's cost of funds. The lower yield in assets is a result of the Bank's increased volume of funds sold from securities sales and the desire to increase liquidity toward the end of the year. The average yield on earning assets was 7.25% in 1999 compared with 7.48% in 1998. The average cost of interest-bearing funds was 4.93% in 1999 compared with 5.02% in 1998. Management recognizes the effects of cost and yield on margins and monitors these on a regular basis.

Interest Income

Bancshares' interest income rose $1.3 million or 5% from year-end 1998 to year-end 1999. Increased asset volume drove this increase in light of declining asset yields.

Interest income derived from lending grew nearly $560 thousand or 3% from 1998 to 1999. This compares with a $1 million or 5% increase from 1997 to 1998. Average total loans grew $11 million from 1998 to 1999 compared to a growth of $16 million from 1997 to 1998.

The principal source of this increase has been in real estate secured lending. The total real estate loans increased over $18 million or 9% from year-end 1998 to year-end 1999. Real estate lending has been an area of vibrancy for the Bank due to the continued expansion of residential and commercial development in the market combined with the availability of relatively low interest rates. The Bank is also active in construction financing for residential and commercial developments in the market area. The Bank's real estate lending is focused on the immediate market area of Putnam, Cabell and Kanawha counties.

The year-end balance of commercial lending increased nearly $5 million between 1998 and 1999. Commercial lending continues to reflect cyclical factors within the market area. The majority of this credit is to the benefit of small businesses within the market area.

Installment and consumer lending declined $4 million between 1998 and 1999. While this decline does not represent more restrictive lending on the Bank's part, however, it does reflect the competitive nature of this area of lending. There exist many offering consumer lending services, both bank and non-bank entities, which compete for creditworthy customers. This is most evident in automobile financing.

The average total of the investment portfolio decreased nearly $7 million or 7% from year-end 1998 to 1999. Total investment income declined nearly $400 thousand or 8% between the two periods. Yields on taxable securities (U. S. Government Treasury and Agency securities) declined only slightly by three basis points. During 1999, interest rates in the bond market experienced a rise prompting management to revamp the portfolio to decrease market exposure and to increase yield. In addition, planning for Year 2000 resulted in the Company making a decision to increase its liquidity moving toward year-end. While the yield on tax-exempt securities increased 20 basis points as the average total dropped nearly $500 thousand. One tax-exempt security matured during 1999. The Company did not purchase or sell any tax-exempt securities during 1999. As of year-end 1999, all municipal securities are West Virginia issues which are investment quality by being rated A+ or better by Standard & Poors and A1 or better by Moody's. Of these, 40% are general obligations while remaining issues are revenue obligations.

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Interest Expense

Interest expense increased $930 thousand or 6% between the years ending 1998 and 1999. Interest paid during the year of 1999 totaled $16,985,149. The largest component of interest expense is related to Super NOW and Money Market Deposit Accounts, which, combined, account for 27% of the total. These categories represent deposits, which provide customers with the maximum liquidity in that money can be withdrawn by a check. While these funds are highly liquid, management believes that a significant majority of these funds are "core" and are not sensitive to rate change. Interest expense on Individual Retirement Accounts comprised 21% of interest expense and 18-month certificates of deposit composed 19%. Individual Retirement Accounts have historically been priced at premium rates and have been successful in efforts to attract and later cross-sell customers. The 18-month certificate was offered in 1997 in an effort to retain customers by offering a premium rate for a longer-term. This has been successful in retaining deposits.

With respect to peer institutions, the Company's interest expense is comparably higher. Management has maintained a philosophy of paying slightly higher than market rates for deposits. Management regularly monitors rates offered in the local market. The Bank does not aggressively advertise or solicit deposits outside the Bank and does not engage in brokered deposits.

Within total deposits, the average balance of time deposits rose $15 million or 7% from year-end 1998 to year-end 1999. The cost of these deposits declined nine basis points during this same period. The majority of this growth was found in certificates of deposit greater than $100,000, which grew $4 million during the period. Another $2 million of growth was attributed to Individual Retirement Accounts greater than $100,000.

The average balance of Super NOW and Money Market Deposit Accounts increased $9 million during the year with the average cost of these funds increasing only four basis points.

Currently, the Company does not have any debt and does not plan to incur any debt in the foreseeable future.

Asset and Liability Management, Interest Rate Sensitivity and Liquidity

The primary goal of asset/liability management is to identify characteristics of the balance sheet in an effort to maximize net interest income while, at the same time, providing sufficient liquidity to meet short- and long-term objectives. Factors such as the level of interest rate risk must be critically reviewed within the context of the current and projected interest rate environments. Changes in interest rates and the level of reaction of assets and liabilities to those changes through their maturities or repricing characteristics have a direct impact upon net interest margin. Management monitors changes in the asset and liability mix on a monthly basis as well as projected maturity and repricing capabilities. Management may adjust the mix through various actions such as pricing and terms in lending; investment selection and pricing on deposit products. Please refer to the Rate Sensitivity Analysis as of December 31, 1999 found on page F2. This analysis report depicts the volume of assets and liabilities, which are subject to repricing due to maturity or rate adjustment options, such as changes in prime rate. The loan categories illustrated will factor cash flow from repayments for repricing purposes.

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Liquidity is the ability to access cash from assets in an amount to meet various needs. These needs include the funding of potential loan demand and seasonal fluctuations in deposit categories. Sources of liquidity include cash flow from loan payments, new deposits and maturity or sales of investments. In addition, federal funds sold and maturing issues from the investment portfolio add another layer of liquidity. The average balance of federal funds sold was $61 million in 1999. In addition, 47% of the investment portfolio is scheduled to mature within one year as of December 31, 1999. The Company has not required any outside borrowings (i.e. purchases of federal funds) to fund short-term liquidity needs in 1999 or 1998.

Nonperforming Assets

A nonperforming asset includes all loans which are past due ninety days or more and all loans which are in nonaccrual status. A loan placed in nonaccrual status has been past due for ninety days or more and is not fully secured by collateral causing the full collection of the accrued interest on the loan to be questionable. The total of nonperforming loans at the end of 1999 totaled $3.3 million or 1.64% of total loans compared with $3.9 million or 1.30% of total loans at the end of 1998. While the percentage has declined, the percentage is relatively higher than peer institutions. The majority of these nonperforming assets are attributed to a local real estate developer who has been involved in residential and commercial projects. Various parcels of residential and commercial properties locally secure the loans. Management has been making efforts to work out this situation as best as possible to recognize the least amount of loss exposure. The condition, with respect to nonperforming loans, is not indicative of relaxed lending standards.

The amount of other real estate owned as a result of debts previously contracted at the end of 1999 totaled $251 thousand compared with $140 thousand at the end of 1998. The balance in 1999 represents one residential property in Hurricane acquired during the third quarter of 1999. This balance reflects the fair market value of the property at acquisition. The Bank did not incur a loss in this transaction as of December 31, 1999.

Provision and Allowance for Loan Losses

Provisions to the allowance for loan losses totaled $329 thousand at year-end 1999 compared with $1 million at year-end 1998. The lower level of provisions in 1999 was due to lower losses incurred and increased recoveries. Gross loan losses in 1999 totaled $446 thousand compared to $835 thousand in 1998. In addition, recoveries on losses totaled $257 thousand in 1999 and $105 thousand in 1998. The largest single loss figure in 1999 was due to a local contractor that totaled $230 thousand. The Bank recognized a recovery from the liquidation of equipment amounting to $51 thousand. In 1998, the largest single loss figure was attributed to a local business owner operating a convenience store totaling $293 thousand and $37 thousand in accrued interest. While a recovery of $150 thousand was recognized on this loan, this amount was not realized until 1999.

Net losses totaled $189 thousand or .08% of average total loans in 1999 compared with $730 thousand or .27% in 1998. This ratio is low to peer institutions in 1999 and near median in 1998 (.24% in 1999 and .25% in 1998).

At December 31, 1999, the allowance for loan losses totaled $2.7 million or 1.06% of total loans compared with $2.6 million or 1.09% at the end of 1998.

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Management is responsible for maintaining an adequate amount in the allowance for loan losses to absorb identifiable and anticipated losses in the loan portfolio. After losses are charged to the allowance and after loan recoveries are considered, management will review the level of the allowance to ensure it is adequate. If the allowance is lower than desired, a provision from operating expenses will be made. The adequacy of the allowance is subject to review by the Company's internal auditor, external auditors, Federal Reserve Bank and West Virginia Division of Banking.

Noninterest Income

Total noninterest sources of income (excluding gross gains on securities transactions) increased $35 thousand between 1998 and 1999. A principal cause is an increase of $24 thousand in insufficient check charges. The rise in charges is not reflective of an increase in fees but rather of more aggressively charging those accounts which are overdrawn.

The Company continues to show a level of noninterest income from fees and service charges that are significantly lower than peer institutions. Management's philosophy continues to reflect the Bank's position of being a low-cost provider of services. This continues to differentiate the Bank from its competition in the eyes of the consumer.

Please refer to "Noninterest Expense" for a discussion of the gross gains and losses on securities.

Noninterest Expense

Total noninterest expense (excluding gross securities losses) increased $182 thousand or 4% from 1998 to 1999. This compares with an increase of $53 thousand or 10% from 1997 to 1998. Noninterest expenses are those that relate to personnel, occupancy and other operating expenditures.

Personnel expense increased $92 thousand or 3% from year-end 1998 to year-end 1999. Salary expense accounted for an increase of $107 thousand or 5% between 1998 and 1999. Additional increases were noted in the Bank's expense in Social Security and Medicare withholding expense totaling $7 thousand. These increases were offset, in part, by a reduction in Group Health and Life expense of $23 thousand. This was a result of the conversion to a new carrier in 1999. Total staffing at the end of 1999 was 72 which was the same at the end of 1998.

Occupancy expenses (relative to the maintenance of premises and equipment) increased $20 thousand or 4% between year-end 1998 and 1999. This compares with $160 thousand or 48% between 1997 and 1998. The nature of the increase during 1998 was due to renovations at the Interstate Office (paving and new heating and cooling unit) in addition to increased depreciation expense and maintenance contracts involving equipment purchased related to the Bank's conversion to its new data processor, Computer Services, Inc. During 1999, an increase in depreciation on furniture and equipment was largely offset by a decrease in maintenance expense. The Bank continues to operate from three locations: Main Bank in downtown Hurricane, Interstate Office on Hurricane Creek Road, and Valley Office at Mount Vernon Road.

Other operational expenses increased $71 thousand or 4% between years-end 1998 and 1999. Leading causes of this increase is found in office supplies and printing expense ($36 thousand) and postage ($28 thousand). While the increase in both of these areas largely relates to increased business

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volumes, it should be noted that inventories of supplies were increased during the third and fourth quarter of 1999 due to Year 2000 concerns. Increased printing expenses also reflected various consumer newsletters and issuances on Year 2000 reprinted from regulatory authorities that were distributed to customers. External data processing expenses remained relatively the same between 1999 and 1998. Computer Services, Inc. did not assess the Bank for any Year 2000 related expenses as a part of their service in 1999. This is important to note considering the great extent of testing performed by the their company which benefited the Bank. For a further discussion on the subject, please refer to the section, "Year 2000".

When analyzing overhead expense, the Company continues to significantly outperform peer institutions. Effective maintenance of staffing and compensation levels, full utilization of premises and effective expense control are responsible for this outcome. The Bank provides services from a main location and two branch offices. While the Bank does not keep the same hours as some competitors, the Bank does provide "after hours" services to loan customers to help meet their personal schedules. The Bank also offers free ATM cards to their customers and free transactions at the Bank's ATM's. In addition, the Bank will introduce its new toll-free, voice response telephone service, Putnam 24, in April of this year. This will provide 24-hour services, seven days a week to customers including balance inquiry and transfer for deposit and loans. Merchant customers will be able to use this service to confirm checks as well. Putnam 24 represents another way the Bank can provide low-cost services to its customers which adds convenience. In addition, voice response services are the beginning that will certainly lead to other services such as Internet banking.

Year 2000

As stated in last year's Annual Report, the Bank continued its efforts in 1999 to identify potential risks and enhance backup planning in conjunction with Year 2000. Planning continued under the lead of the Year 2000 Committee with review by the Board of Directors. Such planning included supplies build-up, security, customer awareness campaigns and monitoring of cash supplies. Planning also included continuous hours of operation on Friday, December 31st until 5:00 p.m. In addition, employees conducted testing of critical areas on Saturday, January 1st to confirm compliance. The Bank opened for regular business on Monday, January 3rd with all systems operating as normal.

The Bank did not experience any Year 2000 difficulties at the Century Date Change, and further did not incur any problems associated with leap year 2000. As of March 31, 2000, no problems related to Year 2000 have been detected.

Expenses related to the Year 2000 issue are estimated at $120 thousand. The large amount of this expense has been in the acquisition of a permanent backup generator for the Main Bank and transfer switches at the branches. These transfer switches would allow portable generators to be hooked in at the branches. The addition of the generator at the Main Bank will serve the Bank well into the future by allowing the Main Bank to function in an emergency situation. The updating of all systems will certainly serve the Bank well in the future. It is important to note, these expenses do not include personnel time and various soft dollar expenses of research that were critical to the project.

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The most critical part of the success of Year 2000 was from our employees in counseling customers and educating them as to the truth and fiction involving the subject. The Bank continued to stress the safety of having deposits in the Bank as opposed to withdrawing cash.

Income Taxes

Federal and state income taxes increased $97 thousand or 5% between year-end 1998 and year-end 1999. This compares with an increase of $148 thousand or 8% from year-end 1997 to year-end 1998. The current year's increase was due to an increase in taxable income. Of the total income taxes calculated as currently payable, federal taxes (calculated at the top rate of 34%) increased $1 thousand and state taxes increased $21 thousand. The most significant impact to taxes was in deferred taxes which net against the currently payable. The deferred tax benefit in 1999 was $50 thousand compared to $126 thousand in 1998, a difference of $76 thousand. Of these deferred taxes, the difference is related to a reduction in bad debt expense from 1998 to 1999.

The Company invests in municipal securities issued in West Virginia, which are "bank qualified" investments and, as such, are exempt from federal taxation.

Please refer to "Note 7 - Income Taxes" in the Consolidated Financial Statements for further discussion.

Shareholders' Equity and Capital Ratios

The shareholders' equity at year-end 1999 was $36,318,875 representing an increase of $1,947,548 or 6% from year-end 1998. Net income for the year-ended 1999 was $3,738,324, an increase of $122,119 or 3% from the year-ended 1998.

For a further discussion on capital, please refer to "Note 13 - Dividend and Capital Restrictions" and Consolidated Statements of Changes in Shareholders' Equity found on page F15 of the Consolidated Financial Statements. The Company's average equity increased nearly $3 million during 1999 representing nearly a 9% increase over the 1998 average. The Company's book value was $60.53 at year-end 1999 compared with $57.29 at year-end 1998. The Company's return on average equity for 1999 was 10.33% compared with 10.89% for 1998. Despite a lower return ratio, the Company continues to benefit from capital growth in excess of asset growth combined with a conservative dividend payout.

The regulatory agencies view capital with respect to Tier 1 (shareholders' equity excluding the effect of unrealized gain or loss on available for sale securities), Tier 2 (allowance for loan losses), and Risk-Based Capital (combination of Tier 1 and Tier 2). These amounts are viewed in relation to the Company's risk-weighted assets. As of year-end 1999, the Company had a Tier 1 Risk-Based Capital ratio of 15.30% compared with 14.89% at year-end 1998. The Company's Total Risk-Based Capital ratio was 16.43% at year-end 1999 compared with 16.03% at year-end 1998. All capital ratios are comparable to peers. As depicted by these ratios, the Company is considered to be well capitalized. For a further discussion on capital, please refer to "Note 13 - Dividend and Capital Restrictions" and Consolidated Statements of Changes in Shareholders' Equity in the Consolidated Financial Statements.

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Dividends

The Company paid cash dividends totaling $720 thousand for the year of 1999. This represented an increase of $60 thousand or 9% from the year of 1998. The Company's dividend payout ratio (dividends-to-net income) was 19% in 1999 compared to 18% in 1998. While this ratio is slightly below peers, such a practice serves to enhance the Company's equity. The Company's regular cash dividends are paid on a semiannual basis: June and December.

For further discussion of dividends, please refer to "Note 13 - Dividend and Capital Restrictions" and the Consolidated Statements of Changes in Shareholders' Equity in the Consolidated Financial Statements.

Responsibility for Financial Statements

The financial statements, related financial data and other information found in this report is the responsibility of the management of Putnam Bancshares, Inc. The financial statements have been prepared in conformity with generally accepted accounting principles applied on a consistent basis.

The accounting systems of Putnam Bancshares, Inc., and its wholly-owned subsidiary, Putnam County Bank, include internal controls and procedures, which provide reasonable assurance to the reliability of financial records. In meeting its responsibility both for integrity and fairness of these statements and information, management depends on the accounting system and internal control structures that are designed to provide reasonable assurances that all transactions are authorized and recorded in accordance with established procedures and all assets are safeguarded and proper and reliable records are maintained.

The concept of reasonable assurance is based on the recognition that the cost of an internal control structure should not be in excess of the related benefits. As an integral part of the internal control structure, the Bank employs an internal auditor who monitors the compliance and level of effectiveness of internal control.

The Audit Committee of Putnam County Bank, composed of outside directors, meets on a regular basis to review control matters and auditing efforts with the auditor. The auditor, external auditors and banking regulators have direct access to this Committee with or without management present.

The financial statements have been audited by Rollins, Cleavenger and Rollins, Public Accountants who will render an independent professional opinion on the statements. Their appointment is recommended by the Board of Directors and requires ratification by the shareholders on an annual basis. Their examination provides an objective assessment of the degree to which management meets its responsibility for financial reporting. Their opinion is based on auditing procedures, which include reviewing internal control structures and performing selected tests of transactions and records, as they deem appropriate. These auditing procedures are designed to provide a reasonable level of assurance that the financial statements are presented in all material aspects.

Independent Auditors' Report

Board of Directors and Shareholders
Putnam Bancshares, Inc. and Subsidiary
Hurricane, West Virginia

We have audited the accompanying consolidated balance sheets of Putnam Bancshares, Inc. and Subsidiary as of December 31, 1999 and 1998, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Putnam Bancshares, Inc. and Subsidiary as of December 31, 1999 and 1998, and the results of its operations and its cash flows for the three years in the period ended December 31, 1999, in conformity with generally accepted accounting principles.

Rollins, Cleavenger and Rollins

Public Accountants

January 8, 2000

Consolidated Balance Sheets

DECEMBER 31, 1999 AND 1998

	1999	1998
ASSETS:		
Cash and Due from Banks	$ 19,668,584	$ 18,114,652
Federal Funds Sold	55,000,000	41,000,000
Available for Sale Securities	42,763,023	64,213,695
Held to Maturity Securities	38,568,418	38,622,968
Loans - Less Allowance for Loan Losses of $2,740,559 and $2,600,000, Respectively	255,538,261	236,397,376
Bank Premises and Equipment	1,371,717	1,432,452
Federal Reserve Bank Stock, at Cost	39,000	39,000
Other Assets	3,799,076	3,139,794
Total Assets	$ 416,748,079	$ 402,959,937
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Deposits:		
Noninterest Bearing	$ 34,322,921	$ 33,463,285
Interest Bearing	344,511,769	333,472,790
Total Deposits	$ 378,834,690	$ 366,936,075
Other Liabilities	1,594,514	1,652,535
Total Liabilities	$ 380,429,204	$ 368,588,610
Commitments and Contingent Liabilities (Note 11)		
SHAREHOLDERS' EQUITY:		
Common Stock, $.50 Par Value, 1,200,000 Shares Authorized, 600,000 Shares Issued and Outstanding	$ 300,000	$ 300,000
Surplus	1,000,000	1,000,000
Retained Earnings	35,602,098	32,583,774
Accumulated Other Comprehensive Income	(583,223)	487,553
Total Shareholders' Equity	$ 36,318,875	$ 34,371,327
Total Liabilities and Shareholders' Equity	$ 416,748,079	$ 402,959,937

The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statements Of Income

FOR YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997

	1999	1998	1997
INTEREST INCOME:			
Interest and Fees on Loans	$ 20,889,574	$ 20,330,186	$19,281,661
Interest on Available for Sale Securities	2,929,159	3,181,325	2,782,185
Interest on Held to Maturity Securities	1,807,519	1,961,281	2,026,765
Interest on Federal Funds Sold	2,936,658	1,837,303	2,000,947
Total Interest Income	$ 28,562,910	$ 27,310,095	$26,091,558
INTEREST EXPENSE:			
Interest on Deposits	$ 16,985,149	$ 16,054,378	$14,869,271
Net Interest Income	$ 11,577,761	$ 11,255,717	$11,222,287
Provision for Possible Loan Losses	329,073	1,020,107	1,616,680
Net Interest Income after Provision for Possible Loan Losses	$ 11,248,688	$ 10,235,610	$ 9,605,607
OTHER INCOME:			
Service Charges and Commissions	$ 224,185	$ 195,649	$ 178,071
Net Realized Gains on Sales of Available for Sale Securities	180,049	-0-	222,015
Other Operating Income	20,180	13,270	15,640
Total Other Income	$ 424,414	$ 208,919	$ 415,726
OTHER EXPENSES:			
Salaries and Employee Benefits	$ 2,752,545	$ 2,660,789	$ 2,406,962
Expenses of Premises and Equipment	514,730	495,031	335,173
Net Realized Losses on Sales of Available for Sale Securities	826,775	-0-	460,664
Other Operating Expenses	1,759,154	1,688,283	1,648,699
Total Other Expenses	$ 5,853,204	$ 4,844,103	$ 4,851,498
Income before Income Taxes	$ 5,819,898	$ 5,600,426	$ 5,169,835
Provision for Income Taxes	2,081,574	1,984,221	1,836,111
Net Income	$ 3,738,324	$ 3,616,205	$ 3,333,724

The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statements Of Changes In Shareholders' Equity

FOR YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997

	Common Stock	Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balances– January 1, 1997	$ 300,000	$ 1,000,000	$26,893,845	$ 102,061	$ 28,295,906
Comprehensive Income					
Net Income			3,333,724		3,333,724
Other Comprehensive Income - Net of Tax:					
Change in Unrealized Gain (Loss) on Securities Available for Sale, Net of Deferred Income Tax of $4,920				8,508	8,508
Add: Reclassification Adjustment				151,208	151,208
					159,716
Total Comprehensive Income					3,493,440
Cash Dividends ($1.00 Per Share)			(600,000)		(600,000)
Balances– December 31, 1997	$ 300,000	$ 1,000,000	$29,627,569	$ 261,777	$31,189,346
Comprehensive Income					
Net Income			3,616,205		3,616,205
Other Comprehensive Income - Net of Tax:					
Change in Unrealized Gain (Loss) on Securities Available for Sale, Net of Deferred Income Tax of $130,562				225,776	225,776
Add: Reclassification Adjustment				-0-	-0-
					225,776
Total Comprehensive Income					3,841,981
Cash Dividends ($1.10 Per Share)			(660,000)		(660,000)
Balances– December 31, 1998	$ 300,000	$ 1,000,000	$32,583,774	$ 487,553	$ 34,371,327
Comprehensive Income					
Net Income			3,738,324		3,738,324
Other Comprehensive Income - Net of Tax:					
Change in Unrealized Gain (Loss) on Securities Available for Sale, Net of Deferred Income Tax Benefit of $856,171				(1,480,541)	(1,480,541)
Add: Reclassification Adjustment				409,765	409,765
					(1,070,776)
Total Comprehensive Income					2,667,548
Cash Dividends ($1.20 Per Share)			(720,000)		(720,000)
Balances - December 31, 1999	$ 300,000	$ 1,000,000	$35,602,098	($ 583,223)	$36,318,875

The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statements Of Cash Flows

FOR YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997

	1999	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	$ 3,738,324	$ 3,616,205	$ 3,333,724
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation	189,815	150,339	91,944
Provision for Loan Losses	329,073	1,020,106	1,616,680
Provision for Deferred Taxes	(50,215)	(125,638)	(1,773)
Net Realized (Gains) Losses on Available for Sale Securities	646,725	-0-	238,649
Amortization of Premiums and Accretion of Discounts on Available for Sale Securities - Net	62,460	29,651	29,081
(Increase) Decrease in Interest Receivable	85,998	331,196	(36,945)
Increase in Cash Value - Life Insurance	(11,953)	(12,105)	(12,229)
(Increase) Decrease in Prepaid Expenses	70,295	2,464	(187,794)
Increase (Decrease) in Other Assets	(22,821)	42,155	(927)
Increase (Decrease) in Accrued Interest	(76,651)	172,575	270,900
Increase (Decrease) in Other Liabilities	18,629	(948)	(142,753)
Net Cash Provided by Operating Activities	$ 4,979,679	$ 5,226,000	$ 5,198,557
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net (Increase) Decrease in Federal Funds Sold	($ 14,000,000)	($ 13,000,000)	$ 1,000,000
Proceeds from Sales and Maturities of Available for Sale Securities	79,865,000	40,000,000	90,487,890
Proceeds from Maturities of Held to Maturity Securities	102,191,622	104,030,969	102,968,586
Proceeds from Sales of Other Real Estate	139,900	285,341	23,118
Purchases of Available for Sale Securities	(60,813,500)	(54,996,875)	(85,567,969)
Purchases of Held to Maturity Securities	(102,137,071)	(104,058,130)	(102,967,721)
Proceeds from Sale of Bank Premises and Equipment	-0-	20,290	-0-
Purchase of Bank Premises and Equipment	(129,081)	(300,307)	(86,386)
Net Increase in Loans	(19,721,232)	(8,270,249)	(22,687,600)
Net Cash Used in Investing Activities	($ 14,604,362)	($ 36,288,961)	($ 16,830,082)

The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statements Of Cash Flows (Continued)

FOR YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997

	1999	1998	1997
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net Increase (Decrease) in Demand Deposits	$ 6,988,971	$ 13,231,267	($ 2,164,111)
Net Increase in Certificates of Deposit	4,909,644	19,517,179	16,136,861
Dividends Paid	(720,000)	(660,000)	(600,000)
Net Cash Provided by Financing Activities	$ 11,178,615	$ 32,088,446	$ 13,372,750
Net Increase in Cash and Cash Equivalents	$ 1,553,932	$ 1,025,485	$ 1,741,225
Cash and Cash Equivalents at Beginning of Year	18,114,652	17,089,167	15,347,942
Cash and Cash Equivalents at End of Year	$ 19,668,584	$ 18,114,652	$ 17,089,167
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash Paid During the Year for:			
Interest	$ 17,061,800	$ 15,882,194	$ 14,598,371
Income Taxes	$ 2,085,000	$ 2,091,000	$ 2,152,864
SUPPLEMENTAL SCHEDULE OF SIGNIFICANT NONCASH ACTIVITIES:			
1997			
Transfer from Loans to Other Real Estate Owned	$ 251,274	$ 140,239	$ 327,497

The accompanying notes are an integral part of these consolidated financial statements

Notes To Consolidated Financial Statements
For Years Ended December 31, 1999, 1998 And 1997

Note 1
Summary of Significant Accounting Policies:

The accounting and reporting policies of Putnam Bancshares, Inc. and its wholly-owned subsidiary conform to generally accepted accounting principles and general practices within the banking industry. Following is a summary of the more significant accounting policies:

Nature of Operations

Putnam County Bank operates under a state bank charter and provides full banking services, with the exception of trust services. As a state bank, the Bank is subject to regulation of the West Virginia Division of Banking, the Federal Reserve System, and the Federal Deposit Insurance Corporation. The area served by Putnam County Bank is Putnam County and its neighboring counties with services provided by the main office and two branch offices.

Principles of Consolidation

The consolidated statements include the accounts of Putnam Bancshares, Inc. and its wholly-owned subsidiary, Putnam County Bank. All significant intercompany balances and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investment Securities

Securities that management has both the positive intent and ability to hold to maturity are classified as securities held to maturity and are carried at cost, adjusted for amortization of premium or accretion of discount using the interest method. Securities that may be sold prior to maturity for asset/liability management purposes, or that may be sold in response to changes in interest rates, changes in prepayment risk, to increase regulatory capital or other similar factors, are classified as securities available for sale and carried at fair value with any adjustments to fair value, after tax, reported as a separate component of shareholders' equity.

Interest and dividends on securities, including the amortization of premiums and the accretion of discounts, are reported in interest and dividends on securities using the interest method. Gains and losses on securities are determined using specific-identification method.

Declines in the fair value of individual held to maturity and available for sale securities below their cost that are other than temporary result in write-downs of the individual securities to their fair value. The related write-downs are included in earnings as realized losses. The Bank had no such losses for the years ended December 31, 1999, 1998 and 1997.

Revenue Recognition

Interest on loans is accrued and credited to operations based upon the principal amount outstanding. The accrual of interest income generally is discontinued when a loan becomes 90 days past due as to principal or interest. When interest accruals are discontinued, unpaid interest credited to income in the current year is reversed, and interest accrued in prior years is charged to the allowance for loan losses. Management may elect to continue the accrual of interest when the estimated net realizable value of collateral is sufficient to cover the principal balance and accrued interest, and the loan is in the process of collection.

Credit life insurance commissions on loans (principally short-term installment loans) are being recognized as collected. The use of this method of recognition does not produce results which are materially different from that which would have been produced if such commissions were deferred and amortized as an adjustment of loan yield over the life of the related loan.

Comprehensive Income

Effective January 1, 1998, the Bank adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS 130"). Pursuant to this rule, the Consolidated Statements of Changes in Shareholders' Equity now include a new measure called "Comprehensive Income," which includes net income as well as certain items that are reported within a separate component of shareholders' equity that bypass net income. Currently, the Bank's only component of other comprehensive income is its unrealized gains (losses) on securities available for sale. Prior year financial statements have been reclassified to conform to the requirements of SFAS 130.

Notes To Consolidated Financial Statements
For Years Ended December 31, 1999, 1998 And 1997 (Continued)

Allowance for Loan Losses

The allowance for loan losses is maintained at a level considered adequate to provide for potential loan losses. The allowance is increased by provisions charged to operating expense and reduced by net charge offs. The level of the allowance is based on management's evaluation of potential losses in the loan portfolio, as well as prevailing and anticipated economic conditions.

Effective January 1, 1995, the Bank adopted Financial Accounting Standards (FAS) No. 114 (as amended by FAS 118), "Accounting by Creditors for Impairment of a Loan." Under this standard, a loan is considered impaired, based on current information and events, if it is probable that the Bank will be unable to collect the scheduled payments of principal and interest when due according to the contractual terms of the loan agreement. The reserve for possible loan losses related to loans that are identified for evaluation, in accordance with FAS 114, is based on discounted cash flows using the loan's initial effective interest rate or the fair value of the collateral for certain collateral dependent loans. If the valuation is less than the recorded value of the loan, an impairment reserve must be established for the difference. The adoption of this standard did not have, and is not expected to have, a material effect on the Bank's financial position, results of operations, accounting policies or the determination of the adequacy of the allowance for loan losses.

Bank Premises and Equipment

Bank premises and equipment are carried at original cost, less accumulated depreciation computed primarily on the straight-line method over the estimated useful lives of the assets. Maintenance and repairs and minor improvements are charged to expense. Gains and losses on premises and equipment retired or sold are recognized currently in the statements of income.

Other Real Estate

Real estate acquired through foreclosure is carried at the lower of cost or market value determined at the date of acquisition. Any excess of the loan balance over the fair market value is charged to the allowance for loan losses. Expenses incurred in connection with other real estate subsequent to acquisition are charged to operating expense.

Income Taxes

The Bank follows the practice of accruing federal income taxes based on income reported for financial statement purposes. In the event income or expenses are recognized in different periods for tax, as opposed to financial purposes, deferred taxes are provided on such timing differences.

Pension Plan

The Bank accounts for its pension plan in accordance with Statement of Financial Accounting Standards No. 132, "Employer's Accounting for Pensions." Pension accounting information is disclosed in Note 8 to the consolidated financial statements.

Cash and Cash Equivalents

For the purpose of presentation in the statements of cash flows, cash and cash equivalents are defined as those amounts included in the balance sheet caption "Cash and Due from Banks."

Off-Balance Sheet Financial Instruments

In the ordinary course of business, the Bank has entered into off-balance sheet financial instruments consisting of commitments to extend credit, commercial letters of credit, and standby letters of credit. Such financial instruments are recorded in the financial statements when they become payable.

Reclassifications

Certain amounts in 1997 have been reclassified to conform with the 1998 presentation.

Note 2
Restrictions on Cash and Due from Banks:

Federal Reserve regulations require depository institutions to maintain cash reserves with the Federal Reserve Bank. The average amounts of required reserve balances were approximately $7,596,000 and $7,229,000 for the years ended December 31, 1999 and 1998, respectively.

Notes To Consolidated Financial Statements
For Years Ended December 31, 1999, 1998 And 1997 (Continued)

Note 3
Investment Securities:

The carrying amounts and approximate market values of investment securities at December 31, 1999 and 1998, are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 1999				
Available for Sale Securities -				
U.S. Government and Agency Securities	$ 40,870,859	$ -0-	($ 775,549)	$ 40,095,310
State and Municipal Securities	2,812,655	775	($ 145,717)	2,667,713
Totals	$ 43,683,514	$ 775	($ 921,266)	$ 42,763,023
Held to Maturity Securities -				
U.S. Government and Agency Securities	$ 38,568,418	$ 1,922	($ 13,788)	$ 38,556,552

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 1998				
Available for Sale Securities -				
U.S. Government and Agency Securities	$ 60,030,508	$ 845,790	($ 121,614)	$ 60,754,684
State and Municipal Securities	3,413,691	45,320	-0-	3,459,011
Totals	$ 63,444,199	$ 891,110	($ 121,614)	$ 64,213,695
Held to Maturity Securities -				
U.S. Government and Agency Securities	$ 38,622,968	$ 4,417	($ 10,521)	$ 38,616,864

Investment securities with carrying amounts of $22,646,925 and $22,160,050 and market values of $22,251,436 and $22,637,914, respectively, were pledged to secure public deposits and for other purposes as required or permitted by law at December 31, 1999 and 1998.

Gross realized gains and gross realized losses on sales of available for sale securities for the years ended December 31, 1999, 1998 and 1997, are as follows:

	1999	1998	1997
Gross Realized Gains:			
U.S. Government and Agency Securities	$ 180,050	$ -0-	$ 222,015
Gross Realized Losses:			
U.S. Government and Agency Securities	($ 826,775)	$ -0-	$ 460,664

The amortized cost and estimated market value of debt securities at December 31, 1999, by contractual maturities, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or repayment penalties.

	Available for Sale Securities		Held to Maturity Securities	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in One Year or Less	$ -0-	$ -0-	$ 38,568,418	$ 38,556,552
Due from One Year to Five Years	21,303,424	21,091,182	-0-	-0-
Due from Five Years to Ten Years	20,959,490	20,359,449	-0-	-0-
Due after Ten Years	1,420,600	1,312,392	-0-	-0-
Totals	$ 43,683,514	$ 42,763,023	$ 38,568,418	$ 38,556,552

Notes To Consolidated Financial Statements
For Years Ended December 31, 1999, 1998 And 1997 (Continued)

Note 4
Loans:

Total loans at December 31, 1999 and 1998, by major loan categories are summarized as follows:

	1999	1998
Commercial	$ 22,995,629	$ 18,110,687
Real Estate - Construction and Mortgage	217,655,630	198,953,545
Installment	21,151,804	25,572,353
Gross Loans	$ 261,803,063	$ 242,636,585
Unearned Discount	(3,524,243)	(3,639,209)
Total Loans	$ 258,278,820	$ 238,997,376
Allowance for Loan Losses	(2,740,559)	(2,600,000)
Loans, Net	$ 255,538,261	$ 236,397,376

	1999	1998	1997
Beginning Balances - January 1,	$ 2,600,000	$ 2,310,000	$ 2,110,000
Loans Charged Off	(445,841)	(834,895)	(1,499,938)
Recoveries of Loans Previously Charged Off	257,327	104,788	83,258
Provision to Expense for Loan Losses	329,073	1,020,107	1,616,680
Ending Balances - December 31,	$ 2,740,559	$ 2,600,000	$ 2,310,000

The provision for credit losses charged to expense is based upon credit loss experience and an evaluation of potential losses in the current loan and lease portfolio, including the evaluation of impaired loans under SFAS No.'s 114 and 118 (collectively, SFAS 114), "Accounting by Creditors for Impairment of a Loan" and "Accounting by Creditors for Impairment of a Loan-Income Recognition and Disclosures". All nonaccrual loans on which a specific reserve calculation is required and significant troubled debt restructurings are considered impaired. Impairment is primarily measured based on the fair value of the loan's collateral. Impairment losses are included in the provision for loan losses. Loans collectively evaluated for impairment include certain smaller balance commercial loans, consumer loans and residential real estate loans. SFAS 114 does not apply to large groups of smaller balance homogeneous loans that are collectively evaluated for impairment, except for those loans restructured under a troubled debt restructuring. A loan is considered restructured when certain concessions are made to a financially troubled debtor that are not normally considered.

The following summarizes impaired loan information at December 31, 1999, 1998 and 1997:

	1999	1998	1997
Impaired Loans with Related Allowance	$ 2,239,000	$ 2,025,000	$ 2,437,000
Impaired Loans with no Related Allowance	-0-	-0-	-0-
Total Impaired Loans	$ 2,239,000	$ 2,025,000	$ 2,437,000
Allowance on Impaired Loans	$ 515,000	$ 440,000	$ 440,000
Average Impaired Loans	$ 2,161,000	$ 2,231,000	$ 2,743,000
Interest Income Recognized on Impaired Loans	$ 89,000	$ 158,000	$ 168,000

Notes To Consolidated Financial Statements
For Years Ended December 31, 1999, 1998 And 1997 (Continued)

Interest payments on impaired loans are typically applied to principal unless collectibility of the principal amounts is fully assured, in which case interest is recognized on the cash basis. Interest may be recognized on the accrual basis for certain troubled debt restructurings which are included in the impaired loan data above.

In the normal course of business, the Bank makes loans to executive officers and directors and related business interests on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated persons and do not involve more than the normal risk of collectibility.

The following presents the activity with respect to loans to related parties for 1999 and 1998.

	1999	1998
Balances - January 1,	$ 8,169,431	$ 7,372,977
New Loans	1,285,032	6,867,192
Repayments	(1,401,935)	(6,070,738)
Balances - December 31,	$ 8,052,528	$ 8,169,431

Note 5
Bank Premises and Equipment:

Major classifications of bank premises and equipment at December 31, 1999 and 1998, are summarized as follows:

	1999	1998
Buildings and Improvements	$ 1,856,589	$ 1,856,589
Furniture and Fixtures	1,370,615	1,258,332
	$ 3,227,204	$ 3,114,921
Less: Accumulated Depreciation	2,055,947	1,882,929
	$ 1,171,257	$ 1,231,992
Land	200,460	200,460
Bank Premises and Equipment, Net	$ 1,371,717	$ 1,432,452

Depreciation expense for the years ended December 31, 1999, 1998 and 1997, was $189,815, $150,339, and $91,944, respectively, and is included in expenses of premises and equipment on the statements of income.

Putnam County Bank has entered into a noncancelable lease agreement (operating lease) with a related party for its Teays Valley branch. The minimum annual rental commitment under this lease, exclusive of taxes and other charges payable by the lessee at December 31, 1999, is as follows:

Year	Amount
2000	$ 33,858
2001	35,213
2002	33,458
2003	-0-
2004	-0-
	$ 102,529

Notes To Consolidated Financial Statements
For Years Ended December 31, 1999, 1998 And 1997 (Continued)

Note 6
Deposits:

The major categories of deposits at December 31, 1999 and 1998, are as follows:

	1999	1998
Noninterest Bearing	$ 34,322,921	$ 33,463,285
Interest Bearing:		
Money Market	$114,240,576	$ 108,148,240
Savings	18,778,219	18,743,082
Time and Certificates of Deposit	142,166,804	143,126,786
Certificates of Deposit over $100,000	69,326,170	63,454,682
Total Interest Bearing Deposits	$344,511,769	$ 333,472,790
Total Deposits	$378,834,690	$ 366,936,075

Scheduled maturities of time and certificates of deposits at December 31, 1999, are as follows:

2000	$177,097,849
2001	29,593,956
2002	4,615,501
2003	103,808
2004 and Thereafter	81,860
Total	$211,492,974

As of December 31, 1999, the Bank had deposits from related parties of approximately $21,908,000.

Note 7
Income Taxes:

The income tax provisions (benefits) included in the consolidated statements of income are summarized as follows:

	1999	1998	1997
Currently Payable:			
Federal	$ 1,855,217	$ 1,854,005	$ 1,605,595
State	276,572	255,854	232,289
Totals	$ 2,131,789	$ 2,109,859	$ 1,837,884
Deferred (Benefit):			
Federal	($ 44,733)	($ 111,922)	($ 1,579)
State	(5,482)	(13,716)	(194)
Totals	($ 50,215)	($ 125,638)	($ 1,773)
Total Applicable Income Taxes	$ 2,081,574	$ 1,984,221	$ 1,836,111

Timing differences in the recognition of income and expenses for tax and financial reporting purposes created the following components of deferred income taxes (benefit):

	1999	1998	1997
Bad Debts	($ 50,300)	($ 125,718)	($ 1,848)
Discount on Investment Securities	85	80	75
Totals	($ 50,215)	($ 125,638)	($ 1,773)

Notes To Consolidated Financial Statements
For Years Ended December 31, 1999, 1998 And 1997 (Continued)

The following is a reconciliation of consolidated federal income tax to the amount computed at the statutory rate:

	1999		1998		1997	
	Amount	%	Amount	%	Amount	%
Tax on Income before Income Tax at the Top Statutory Income Tax Rate	$1,978,765	34.00%	$1,904,145	34.00%	$1,757,744	34.00%
Increase (Decrease) Resulting from:						
State Income Tax, Net of Federal Benefit	177,056	3.04	155,148	2.77	153,117	2.96
Nontaxable Interest Income	(93,482)	(1.61)	(95,903)	(1.71)	(90,468)	(1.75)
Nondeductible Interest Expense	14,802	.25	14,318	.25	14,179	.27
Other Items	4,433	.08	6,513	.12	1,539	.03
Tax on Income	$ 2,081,574	35.76%	$1,984,221	35.43%	$1,836,111	35.51%

The approximate tax effects of the net investment securities gains (losses) were ($236,960), $-0-, and ($88,196) for the years 1999, 1998 and 1997, respectively.

Notes To Consolidated Financial Statements
For Years Ended December 31, 1999, 1998 And 1997 (Continued)

Note 8
Pension Plan:

The Bank is a participant in a multiple employer non-contributory defined benefit pension plan covering the majority of employees. The retirement benefits are based on length of service and the employee's compensation during his/her time of service.

The following table shows the plan's funded status at December 31, 1999 and 1998:

	1999	1998
Accumulated pension benefit obligation:		
Vested	$ 1,778,569	$ 1,828,186
Nonvested	18,144	18,026
Totals	$ 1,796,713	$ 1,846,212
Value of future salary projections	201,471	256,753
Total projected pension benefit obligation	$ 1,998,184	$ 2,102,965
Fair value of plan assets	2,110,292	2,107,047
Plan assets in excess of projected benefit obligation	$ 112,108	$ 4,082
Unrecognized prior service cost	(36,935)	(41,930)
Unrecognized net loss or (gain)	(187,292)	(12,266)
Unrecognized net transition liability or (asset)	(40,492)	(48,051)
Unfunded (accrued) or prepaid pension cost	($ 152,611)	($ 98,165)

The components of pension (expense) income for the years ended December 31, 1999, 1998 and 1997, are as follows:

	1999	1998	1997
Service cost-benefits earned during year	($ 97,307)	($ 85,480)	($ 58,624)
Interest cost on projected benefit obligation	(144,468)	(135,155)	(120,894)
Actual return on assets	174,775	172,809	151,473
Net amortization and deferral	12,554	12,554	12,554
Net periodic pension (cost) benefit	($ 54,446)	($ 35,272)	($ 15,491)
Actuarial assumptions:			
Weighted average discount rate for projected benefit obligation	8.00%	7.00%	7.25%
Weighted average rate of compensation increase	5.00%	5.00%	5.00%
Expected long-term rate of return on plan assets	8.50%	8.50%	8.50%

Notes To Consolidated Financial Statements
For Years Ended December 31, 1999, 1998 And 1997 (Continued)

Note 9
Parent Company Condensed Financial Information:

CONDENSED BALANCE SHEETS
December 31,

	1999	1998
ASSETS		
Investment in Subsidiary	$ 36,902,098	$ 33,883,774
Other Assets	-0-	-0-
Total Assets	$ 36,902,098	$ 33,883,774
LIABILITIES AND SHAREHOLDERS' EQUITY		
Total Liabilities	$ -0-	$ -0-
Shareholders' Equity	$ 36,902,098	$ 33,883,774
Total Liabilities and Shareholders' Equity	$ 36,902,098	$ 33,883,774

CONDENSED STATEMENTS OF INCOME
For Years Ended December 31,

	1999	1998	1997
INCOME	$ 738,443	$ 675,338	$ 618,688
EXPENSES:			
Operating Expenses	$ 30,707	$ 25,538	$ 31,116
Interest Expense	-0-	-0-	-0-
Total Expenses	$ 30,707	$ 25,538	$ 31,116
Income before Income Tax Benefit and Equity in Undistributed Earnings of Subsidiary	$ 707,736	$ 649,800	$ 587,572
Applicable Income Taxes (Benefit)	(12,264)	(10,200)	(12,428)
Income before Equity in Undistributed Earnings of Subsidiary	$ 720,000	$ 660,000	$ 600,000
Equity in Undistributed Earnings of Subsidiary	3,018,324	2,956,205	2,733,724
Net Income	$ 3,738,324	$ 3,616,205	$ 3,333,724

Notes To Consolidated Financial Statements
For Years Ended December 31, 1999, 1998 And 1997 (Continued)

CONDENSED STATEMENTS OF CASH FLOWS
For Years Ended December 31,

	1999	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	$ 3,738,324	$ 3,616,205	$ 3,333,724
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Equity in Undistributed Earnings of Subsidiary	(3,018,324)	(2,956,205)	(2,733,724)
Change in Other Assets	-0-	-0-	-0-
Net Cash Provided by Operating Activities	$ 720,000	$ 660,000	$ 600,000
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends Paid	($ 720,000)	($ 660,000)	($ 600,000)
Net Cash Used in Financing Activities	($ 720,000)	($ 660,000)	($ 600,000)
Net Change in Cash and Cash Equivalents	$ -0-	$ -0-	$ -0-
Cash and Cash Equivalents at Beginning of Year	-0-	-0-	-0-
Cash and Cash Equivalents at End of Year	$ -0-	$ -0-	$ -0-

Note 10
Related Party Transactions:

Some officers and directors (including their affiliates, families and related entities) of Putnam Bancshares, Inc. and its subsidiary are customers of the subsidiary and have had, and are expected to have, transactions with the subsidiary in the ordinary course of business. In addition, some officers and directors are also officers and directors of corporations which are customers of the Bank and have had, and are expected to have, transactions with the Bank in the ordinary course of business. In the opinion of management, such transactions are consistent with prudent banking practices and are within applicable banking regulations.

Notes To Consolidated Financial Statements
For Years Ended December 31, 1999, 1998 And 1997 (Continued)

Note 11
Commitments and Contingent Liabilities:

The Bank's consolidated financial statements do not reflect various commitments and contingent liabilities that arise in the normal course of business and that involve elements of credit risk, interest rate risk, and liquidity risk. These commitments and contingent liabilities are commitments to extend credit, commercial letters of credit, and standby letters of credit. A summary of the Bank's commitments and contingent liabilities at December 31, 1999, is as follows:

	Notional Amount
Commitments to Extend Credit	$ 29,313,879
Commercial Letters of Credit	-0-
Standby Letters of Credit	2,748,758

Commitments to extend credit, commercial letters of credit, and standby letters of credit all include exposure to some credit loss in the event of nonperformance of the customer. The Bank's credit policies and procedures for credit commitments and financial guarantees are the same as those for extension of credit that are recorded on the consolidated balance sheets. Because these instruments generally have fixed maturity dates, they do not generally present any significant liquidity risk to the Bank.

Note 12
Concentrations of Credit Risk:

Cash due from correspondent banks, based on bank balances, exceeded federally insured limits by approximately $5,600,000 at December 31, 1999. Federal funds sold are generally unsecured by the correspondent banks.

The majority of the Bank's loans, commitments, and commercial and standby letters of credit have been granted to customers in the Bank's market area. The rest are to customers from the area that have since relocated to other areas. Most of such customers are depositors of the Bank. Investments in state and municipal securities and loans to governmental entities are within the Bank's home state. The concentrations of credit by type of loan are set forth in Note 4. The distribution of commitments to extend credit approximates the distribution of loans outstanding. Commercial and standby letters of credit were granted primarily to commercial borrowers.

Note 13
Dividend and Capital Restrictions:

Putnam Bancshares, Inc.'s principal source of funds for future dividend payments to shareholders will be from dividend payments received from its wholly-owned subsidiary, Putnam County Bank.

The Bank, as a state chartered member bank of the Federal Reserve System, is subject to the dividend restrictions set forth by the West Virginia Division of Banking as well as the Federal Reserve Board. Under such restrictions, the Bank may not, without the prior approval of the West Virginia Division of Banking and the Federal Reserve Board, declare dividends in excess of the sum of the current year's earnings (as defined) plus the retained net profits (as defined) from the prior two years. The Bank normally restricts dividends to a lesser amount. The dividends as of December 31, 1999, that the Bank could declare without the approval of the West Virginia Division of Banking and the Federal Reserve Board, amounted to approximately $5,975,000.

The Bank is also subject to various regulatory capital requirements administered by federal and state banking agencies. Failure to meet the minimum capital requirements can initiate certain actions by regulators that, if undertaken, could have a material effect on the Bank and the consolidated financial statements. Capital adequacy guidelines require minimum ratios of 4.00% for Tier 1 risk-based capital, 8.00% for total risk-based capital, and 4.00% for Tier 1 leverage capital. To be considered well capitalized under the regulatory framework for prompt corrective actions, the ratios must be at least 6.00%, 10.00%, and 5.00%, respectively.

Capital amounts and classifications are also subject to qualitative judgements by the regulators about components, risk-weighting of assets and certain off-balance sheet items, and other factors. As of December 31, 1999 and 1998, the Bank has met all capital adequacy requirements and had regulatory capital ratios in excess of the levels established for well capitalized institutions. There are no conditions or events since the most recent notification that management believes have changed the Bank's prompt corrective action category.

Notes To Consolidated Financial Statements For Years Ended December 31, 1999, 1998 And 1997 (Continued)

The Bank's actual ratios as well as a comparison of the period-end capital balances with the related amounts established by the regulatory agencies are as follows:

		Capital Amounts		
	Ratios	Actual	Minimum	Well Capitalized
As of December 31, 1999:				
Tier 1 Risk-Based Capital	15.30%	$ 36,902,000	$ 9,649,000	$ 14,474,000
Total Risk-Based Capital	16.43	39,642,000	19,298,000	24,123,000
Tier 1 Leverage Capital	8.93	36,902,000	16,529,000	20,661,000
As of December 31, 1998:				
Tier 1 Risk-Based Capital	14.89%	$ 33,884,000	$ 9,104,000	$ 13,655,000
Total Risk-Based Capital	16.03	36,484,000	18,207,000	22,759,000
Tier 1 Leverage Capital	8.64	33,884,000	15,157,000	18,946,000

Note 14
Disclosures about Fair Value of Financial Instruments:

At December 31, 1995, the Bank adopted Financial Accounting Standards Board Statement 107, which requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instruments. Statement 107 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Bank.

The following methods and assumptions were used by the Bank in estimating its fair value disclosures for financial instruments.

Cash and Due from Banks: The carrying amount reported in the balance sheet for cash and due from banks approximates that asset's fair value.

Federal Funds Sold: The carrying amount reported in the balance sheet for federal funds sold approximates that asset's fair value.

Investment Securities: Fair values for investment securities are based on quoted market prices where available. If quoted market prices are not available, fair values are based on quoted market prices of similar instruments.

Loans: The fair values of fixed rate commercial, real estate, and consumer loans are estimated using discounted cash flow analysis, using interests rates currently being offered for loans with similar terms to borrowers of similar credit quality. For variable rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values.

Deposits: The estimated fair values of demand deposits (i.e. interest and noninterest checking, passbook savings, and certain types of money market accounts) are, by definition, equal to their carrying amounts. Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates, currently being offered on certificates, to a schedule of aggregated expected monthly maturities on time deposits.

Notes To Consolidated Financial Statements
For Years Ended December 31, 1999, 1998 And 1997 (Continued)

The estimated fair values of the Bank's financial instruments at December 31, 1999 and 1998, are as follows:

	1999		1998	
	Carrying Amounts	**Fair Value**	**Carrying Amounts**	**Fair Value**
Financial Assets:				
Cash and Due from Banks	$ 19,668,584	$ 19,668,584	$ 18,114,652	$ 18,114,652
Federal Funds Sold	55,000,000	55,000,000	41,000,000	41,000,000
Investment Securities	81,331,441	81,319,575	102,836,663	102,830,559
Loans	258,278,820	260,630,139	238,997,376	242,703,782
Financial Liabilities:				
Deposits	378,834,690	378,730,397	366,936,075	366,993,899

The carrying amounts in the preceding table are included in the consolidated balance sheets under the applicable captions. The contract or notional amounts of the Bank's financial instruments with off-balance-sheet risk are disclosed in Note 11. It is not practicable to estimate the fair value of Federal Reserve Bank stock because it is not marketable. The carrying amount of that investment is reported in the consolidated balance sheets.