

PUBLIC DISCLOSURE

April 8, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Capon Valley Bank

05541530

2 West Main Street

Wardensville, West Virginia

Federal Reserve Bank of Richmond

P. O. Box 27622

Richmond, Virginia 23261

This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

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 The Capon Valley Bank, Wardensville, West Virginia prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of April 8, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A of 12 CFR Part 228.

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

The bank's loan-to-deposit ratio is considered more than reasonable given its financial capacity and location. Furthermore, the institution's high level of lending within the assessment area, particularly to low- and moderate-income borrowers demonstrate an overall outstanding level of performance. Most notably, the bank's lending to low- and moderate-income borrowers for unsecured consumer credit substantially exceeded the percentage of such families in the assessment area.

The following table indicates the performance level of Capon Valley Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>(NAME OF FINANCIAL INSTITUTION)</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio	X		
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes	X		
Geographic Distribution of Loans	Not Applicable		
Response to Complaints	No complaints have been received since the prior examination		

DESCRIPTION OF INSTITUTION

Capon Valley Bank is located in the Potomac Highlands region of West Virginia approximately 20 miles west of Winchester, Virginia. The bank operates two branches in the Towns of Wardensville and Moorefield, both located in Hardy County. As of December 31, 1995, the institution had total assets of \$72 million with 75% of the assets as loans. The composition of the loan portfolio is as follows: 66% real estate (consumer and business), 31% consumer, and 3% commercial. The bank offers a variety of loan products including loans for home purchase, home improvement consumer, agricultural, and small business purposes. All products are available at both locations. Based on volume, unsecured consumer loans were identified as the bank's primary credit product.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area encompasses all of Hardy County and four of the five block numbering areas (BNAs) in Hampshire County. The following BNAs are included in the bank's assessment area:

<u>Hardy County</u>	<u>Hampshire County</u>
9701	9682
9702	9683
9703	9685
	9686

All seven of the BNAs in the local community are considered middle-income. According to the 1990 census, the population of the assessment area is 23,265 with a minority population of 1.7%. Although primarily rural, the area benefits from a sound industrial base. Wampler-Longacre, Incorporated (poultry), Hester Industries (poultry), American Wood-Mark Corporation (furniture manufacturing), and the Hardy County Board of Education are the largest local employers. Many local residents also commute to Winchester, Virginia and the surrounding area for various employment opportunities. Because of these employment opportunities, the unemployment rate for Hampshire and Hardy Counties of 6.7%, as of January 1996, was substantially lower than the West Virginia rate of 9.4%. A community contact was performed with a local public official to further assist in evaluating the bank's CRA performance. Information gathered from the contact revealed that local financial institutions were active in meeting the credit needs for the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT RATIO

The average loan-to-deposit ratio for the previous five quarters was 85% and is considered more than reasonable given the bank's financial capacity, size, and current local economic conditions. The bank's level of lending is responsive to the area's loan demand. The average loan-to-deposit ratio for banks headquartered in non-metropolitan areas of West Virginia and of similar size to Capon Valley Bank is 66%.

LENDING IN ASSESSMENT AREA

A sample of 154 recently extended unsecured consumer loans was reviewed to determine the bank's lending distribution within its assessment area. As illustrated in the chart below, a substantial majority of the number and dollar amounts of the sampled loans have been provided to residents of the area.

Comparison of Credit Extended Inside and Outside of Assessment Area

	Inside Assessment Area	Outside Assessment Area	Total
Total Number of Loans	131	23	154
Percentage of Total Loans	85%	15%	100%
Total Amount of Loans (000's)	\$233	\$82	\$315
Percentage of Total Amount	74%	26%	100%

LENDING TO BORROWERS OF DIFFERENT INCOMES

The following table indicates that a majority of unsecured consumer loans sampled within the assessment area were extended to low- and moderate-income borrowers.

Distribution of Loans by Income Level of Borrower

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	55	45	19	12	131
Percentage of Total Loans	42%	34%	15%	9%	100%
Total Amount of Loans (000's)	\$66	\$65	\$39	\$63	\$233
Percentage of Total Amount	28%	28%	17%	27%	100%

The volume of this lending to low- and moderate-income residents (76%) substantially exceeds the proportion of such family (34%) in the assessment area. Low- and moderate-income families each make up 17% of such families within the assessment area. Moreover, a majority of the total dollar amount of loans extended (56%) were to these borrowers. Middle- and upper-income families make up 21% and 45%, respectively, of the population for the community.

GEOGRAPHIC DISTRIBUTION OF LOANS

Since all seven BNAs in the bank's assessment area are designated as middle-income, an analysis of the geographic distribution of the institution's lending was not conducted during the examination.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS

The bank is in compliance with the substantive provisions of the fair lending and

fair housing laws and regulations. An isolated and technical violation of Regulation B was identified. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.