

PUBLIC DISCLOSURE

March 3, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Barbour County Bank

05541158

107 Pike Street

Philippi, 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 Barbour County Bank, Philippi, West Virginia, prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of March 3, 1997. 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 "Needs to Improve".

The bank failed to meet the standards for satisfactory performance concerning its loan-to-deposit ratio. While a substantial majority of loans sampled during the examination were extended within the assessment area and included a significant portion to low- and moderate-income borrowers, the institution's low level of lending demonstrates an overall less-than-satisfactory performance. The bank's loan-to-deposit ratio has declined steadily over the most recent six-quarter period, from 24% to 19%, and averages 22% for the period. While a historically weak local economy dampens loan demand, the bank's low loan-to-deposit ratio suggests that its lending is not competitive in the local community. The institution's penetration of lending throughout the market appears reasonable given the institution's size, location, and demographics of the area.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Barbour County Bank</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		X	
Response to Complaints	No complaints have been received since the prior examination.		

DESCRIPTION OF INSTITUTION

Barbour County Bank operates its only office in Philippi, West Virginia. As of December 31, 1996, the bank had assets of \$81.9 million, of which 17% was loans. Approximately 72% of the institution's assets was in investments. Various deposit and loan products are available through the institution, including loans for residential mortgage, consumer, business, and agricultural purposes. The composition of the loan portfolio as of December 31, 1996, is as follows: 70% real estate secured (consumer and business), 19% consumer, and 11% commercial. Based on the number of loans extended during the previous six months, consumer secured loans were identified as a principal credit product offered by the bank. The institution's previous CRA rating was satisfactory.

DESCRIPTION OF ASSESSMENT AREA

Barbour County, West Virginia, is a rural community located in the north central portion of the state approximately 20 miles southeast of Clarksburg, West Virginia. According to the 1990 census, the county has a population of 15,699 and contains four block numbering areas (BNAs), of which one is moderate-income and the remaining three are middle-income. The 1996 median family income for nonmetropolitan areas of West Virginia is \$26,600. Once a booming coal mining area supporting over 30 mining companies, Barbour County currently has no more than a few such operations. Without the jobs supplied by the mining companies, unemployment has remained high. The county's unemployment rate typically averages one and a half to two times the West Virginia State average. From January 1996 to December 1996, the rate has decreased from 19% to 13.3%, but still remains high at almost twice the State's recent rate (7.4%).

A community contact was made with a representative from a local trade organization to further assist in evaluating the bank's CRA performance. The contact indicated that the economy remains depressed due to high unemployment and the departure of working age residents from the community in search of jobs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT RATIO

The average loan-to-deposit ratio for the previous six quarters is 22%. This figure reflects, in part, the weak local economy. Despite the economy, the ratio is considered low given the institution's size, financial condition, and location. Furthermore, the bank's loan-to-deposit ratio has been steadily declining over the last six quarters. Since September 30, 1995, loans have decreased by almost 15% while deposits have grown by nearly 5%. The average loan-to-deposit ratio for banks headquartered in nonmetropolitan areas of West Virginia and of similar size to Barbour County Bank is 66%. Additionally, the average loan-to-deposit ratio for banks of similar asset size headquartered in north central West Virginia is 54%. However, neither the statewide nor regional ratio constitutes a sound benchmark for comparative purposes, as they both include banks with branches in more metropolitan areas of West Virginia that are not subject to the high levels of unemployment found in Barbour County.

LENDING IN ASSESSMENT AREA

To determine the institution's volume of lending within the assessment area, a sample of 110 secured consumer loans extended during the previous six months was reviewed. The lending distribution is represented in the table below.

Comparison of Credit Extended Inside and Outside of Assessment Area

	Inside Assessment Area	Outside Assessment Area	Total
Total Number of Loans	90	20	110
Percentage of Total Loans	82%	18%	100%
Total Amount of Loans (000's)	\$521	\$102	\$623
Percentage of Total Amount	84%	16%	100%

As illustrated above, a substantial majority of the number and dollar amounts of the sampled loans was provided to residents of the assessment area.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND BUSINESSES OF DIFFERENT SIZES

The following chart illustrates the distribution of the 90 consumer secured loans extended in the assessment area by income level of borrower.

Distribution of Loans by Income Level of Borrower

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	37	27	20	6	90
Percentage of Total Loans	41%	30%	22%	7%	100%
Total Amount of Loans (000's)	\$115	\$188	\$158	\$60	\$521
Percentage of Total Loans	22%	36%	30%	12%	100%

As a means of comparison, the chart below depicts the distribution of assessment area families according to low-, moderate-, middle-, and upper-income levels.

Percentage of Families in Assessment Area by Income Level

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Percentage of Families	31%	17%	19%	33%	100%

When compared to the distribution of area families by income level, the bank's volume of lending to low- and moderate-income borrowers (71%) substantially exceeds the proportion (48%) of such families in the community.

GEOGRAPHIC DISTRIBUTION OF LOANS

An analysis of lending throughout the community by BNA was performed. As mentioned previously, the assessment area contains four BNAs including one moderate-income area and three middle-income areas. There are no low- or upper-income BNAs in the bank's assessment area. The following chart depicts the geographic distribution of the sampled consumer secured loans extended to residents of the assessment area.

Distribution of Loans in Assessment Area by Income Level of Census Tract

	Moderate-Income	Middle-Income	Total
Total Number of Loans	25	65	90
Percentage of Total Loans	28%	72%	100%
Total Amount of Loans (000's)	\$125	\$396	\$521
Percentage of Total Loans	24%	76%	100%

In the assessment area, 23% and 77% of the population reside in moderate- and middle-income BNAs, respectively. The geographic distribution of the loans sampled is considered reasonable given the proportion of population living in moderate- and middle-income BNAs.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS

No credit practices inconsistent with the substantive provisions of the fair housing and fair lending laws and regulations were identified. Technical violations of the Equal Credit Opportunity Act's Regulation B were noted. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.