

PUBLIC DISCLOSURE

July 14, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

F & M Bank - Blakeley Inc.

05541225

P.O. Box 40

Ranson, West Virginia 25438

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 CRA performance of F & M Bank - Blakeley Inc., Ranson, West Virginia, prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of September 16, 1996. The agency evaluates performance in the assessment area as delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all, of the institution's branches. 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 Satisfactory.

F & M Bank - Blakeley Inc. primarily serves its assessment area through direct lending. A variety of products and services is offered that effectively meets the needs of area residents. A majority of the bank's lending was originated within the local community. Furthermore, the distribution of loans among borrowers of different income levels, including farms and businesses of different sizes, is considered excellent. The assessment area contains only moderate-income block numbering areas (BNAs); therefore, the distribution of lending by income level of the geography was not considered in the lending test.

The following table indicates the performance level of F & M Bank - Blakeley Inc. with respect to the lending, investment, and service tests.

PERFORMANCE	<u>F & M Bank - Blakeley Inc.</u>		
LEVELS	PERFORMANCE TESTS		
	LENDING TEST *	INVESTMENT TEST	SERVICE TEST
Outstanding	X		
High Satisfactory			X
Low Satisfactory		X	
Needs to Improve			
Substantial Noncompliance			

* The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

DESCRIPTION OF INSTITUTION

F & M Bank - Blakeley Inc. operates three full-service offices in Jefferson County, West Virginia. Office space has been purchased for a fourth branch which is scheduled to open in August 1997. As of March 31, 1997, the bank had \$101 million in assets of which 77% were loans. The loan portfolio as of this date was comprised of 77% real estate secured (including both consumer and commercial), 13% consumer, 9% commercial and farm purpose loans, and 1% other. F & M Bank - Blakeley Inc. received a satisfactory rating on its previous CRA evaluation.

DESCRIPTION OF ASSESSMENT AREA

The assessment area includes all of Jefferson County, West Virginia. This area is part of the Washington, D. C. Metropolitan Statistical Area (MSA) and, according to 1990 census data, has a population of 35,926 residents. The assessment area contains seven BNAs, all of which have been designated as moderate-income. The 1996 median family income for the MSA is \$68,300, and the owner-occupancy rate for Jefferson County is 64%. The county demographics by family income level are as follows: 35% low-income, 30% moderate-income, 21% middle-income, and 14% upper-income.

Although Jefferson County is primarily a rural locality, employment opportunities are available through agriculture and various industries including textiles, chemicals, limestone and dolomite quarrying, brass and metal fabrication, manufacturing, and services. The unemployment rate as of May 1997 for Jefferson County was 2.7% compared with state and MSA jobless rates of 5.8% and 3.4%, respectively.

A community contact was conducted with a representative from a local trade organization during the examination to further assist in evaluating the bank's CRA performance. The contact expressed concern that the county's rapid population growth had adversely affected local affordable housing opportunities.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

The conclusions regarding the lending, investment, and service tests are summarized at the beginning of each section. Supporting information is then divided into performance characteristics that are described in Appendix A of the regulation.

LENDING TEST

The overall rating of the institution under the lending test is outstanding. F & M Bank - Blakeley Inc. offers a variety of credit products, and a substantial majority of loans extended were within the assessment area. The bank's level of lending to low- and moderate-income borrowers is highly responsive when compared to Jefferson County demographics. As previously mentioned, geographic distribution was not considered in the lending test because all BNAs within the assessment area have been designated as moderate-income. The institution has demonstrated a responsiveness to community credit needs through some product innovation and flexibility.

Lending Activity

The average loan-to-deposit ratios for the previous six quarters for banks headquartered in metropolitan areas of West Virginia and of similar asset size to F & M Bank - Blakeley Inc. range from 67% to 91%. Since September 30, 1995, the institution's total loans have increased by 17% and total deposits have grown 6%. The bank's average loan-to-deposit ratio for the previous five quarters is 91% and demonstrates a high level of responsiveness to the area's loan demand.

As identified in the CRA Public File, a full range of credit products is offered including residential mortgage, home improvement, small business, commercial, agricultural, consumer, community development, and consumer loans. Government-sponsored loans provided through the Rural Housing and Community Development Service are also offered.

The following chart depicts the bank's lending activity from January 1, 1996, through June 27, 1997, by number, amount, and percentage of total loans. The table includes loan activity reported for CRA purposes, as well as loan data reported for Home Mortgage Disclosure Act (HMDA) requirements.

F & M Bank - Blakeley Inc. Loan Originations 1-1-96 to 6-27-97				
Description	Number	Percent	Amount (\$000's)	Percent
Small Farm*	20	<1%	\$1,410	3%
Small Business*	150	7%	\$7,728	16%
HMDA*	225	10%	\$10,082	22%
Motor Vehicle	346	15%	\$3,431	7%
Other Consumer Secured	435	19%	\$18,942	41%
Other Consumer Unsecured	1,084	48%	\$4,592	10%
Home Equity	8	<1%	\$373	1%
Totals	2,268	100%	\$46,558	100%

* Information about these loans is required to be collected by the institution.

As illustrated above, excluding HMDA loans, the majority of originations (83%) was for consumer purposes. Business and agricultural lending also represents a significant portion of the bank's lending activity. Small business and small farm loans accounted for nearly 20% of the total dollar amount extended during this time period.

Assessment Area Concentration

The institution's volume of lending within its assessment area from January 1, 1996, through June 27, 1997, is illustrated in the following table by number and dollar amounts. Loans with missing data are not included in these totals.

Comparison of Credit Extended Inside and Outside the Assessment Area

	Small Business		Consumer		HMDA		Total	
	Inside	Outside	Inside	Outside	Inside	Outside	Inside	Outside
Number of Loans	149	21	1,697	176	179	43	2,025	240
Percentage of Loans	88%	12%	91%	9%	81%	19%	89%	11%
Amount of Loans (000's)	\$7,012	\$2,126	\$23,048	\$4,290	\$7,377	\$2,705	\$37,437	\$9,121
Percentage of Amount	77%	23%	84%	16%	73%	27%	80%	20%

As shown in the above chart, a substantial majority of the number (89%) and dollar amounts (80%) of the total loans have been provided to area residents.

Geographic Distribution Of Loans

As previously stated, the institution's assessment area is comprised solely of moderate-income geographies. Accordingly, 100% of the number and dollar amount of loans within the assessment area was extended in these geographies. Lending activity sufficiently penetrated all BNAs within Jefferson County.

Borrower's Profile

The following tables reflect the distribution of small business and small farm, HMDA, and consumer loans extended from January 1, 1996, through June 27, 1997, within the assessment area to farms and businesses of different sizes and by the income level of the borrower. Of the 2,025 loans originated within the county, 42 did not provide income or revenue data and were not considered in this analysis.

Distribution of Lending by Loan Amount and Size of Business or Farm

Loan Amount (000's)	Total Revenues ≤ \$1 Million	Total Revenues > \$1 Million	Total Loans
\$0 - \$100	129	0	129
\$101 - \$250	16	0	16
> \$250	2	0	2
Totals	147	0	147

As illustrated above, 100% of the small business (loans ≤ \$1 million) and small farm (loans ≤ \$500 thousand) loans were made to businesses and farms with gross annual revenues of less than \$1 million. Furthermore, 129 of the 147 (88%) commercial and farm originations were extended for amounts of \$100,000 or less indicating that the institution is responsive to the credit needs of small businesses and farms.

F & M Bank - Blakeley Inc. continues to offer Government-sponsored loans through the Rural Housing and Community Development Service and has extended eight since the previous evaluation for a total of \$1.4 million.

The following tables portray the distribution of HMDA and consumer loans during the covered time period by the borrower's income level.

Distribution of Loans by Income Level of Borrower - HMDA

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total number of Loans	84	53	29	11	177
Percentage of Total Loans	48%	30%	16%	6%	100%
Total Amount of Loans (000's)	\$2,268	\$2,138	\$1,758	\$1,132	\$7,296
Percentage of Total Amount	31%	29%	24%	16%	100%

The volume of HMDA lending to low- and moderate-income residents (78%) exceeds the proportion of low- and moderate-income families (65%) within the assessment area.

Distribution of Loans by Income Level of Borrower - Consumer

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total number of Loans	1,142	274	181	62	1,659
Percentage of Total Loans	69%	16%	11%	4%	100%
Total Amount of Loans (000's)	\$8,831	\$4,987	\$5,448	\$3,502	\$22,768
Percentage of Total Amount	39%	22%	24%	15%	100%

The percentage (85%) of consumer lending to low- and moderate-income individuals also significantly exceeds the percentage of such families residing in the assessment area.

Unsecured loans are routinely made to customers for amounts as little as \$100. In 1996, 252 loans for \$1,500 or less were originated for a total of \$223,000. The institution has also introduced an overdraft protection product which provides customers with the option of linking the protection to a savings account or an unsecured line of credit.

In December 1996, Jefferson County's third largest employer closed, resulting in job loss for many area residents. The institution granted loan extensions at no charge to all loan customers who lost their jobs due to the closing.

Given the products offered and area credit demand, the distribution of loans to borrowers of different incomes and businesses and farms of varying sizes is considered excellent and demonstrates the bank's willingness to meet the credit needs of all segments of its community.

Community Development Loans

To the extent F & M - Blakeley Inc. provided any community development loans, such loans would have been reported as small business or mortgage loans.

INVESTMENT TEST

The institution's level of responding to community development needs through its investment activities is rated low satisfactory. The bank's investment portfolio is primarily comprised of Government securities which are not considered qualified investments for purposes of CRA. The institution, however, has invested in the West Virginia Capital Corporation (WVCC). The WVCC promotes economic development by financing small businesses. The corporation is wholly owned by 54 West Virginia banks which pool funds in order to share the risk of providing financing for small businesses that would not qualify for conventional financing.

SERVICE TEST

The overall rating of the institution under the service test is high satisfactory. Delivery systems, branch locations, and the hours of operation are considered readily accessible and convenient to all portions of the assessment area. The bank's participation in community development services is considered adequate.

Accessibility Of Delivery Systems

Delivery systems are accessible to all portions of the community. Eight Automated Teller Machines (ATMs) are available to local residents which provide 24-hour nationwide network access. The ATMs are located at all branch locations with an additional four off-site locations. Telephone and mail banking services are also available and provide customers with 24-hour accessibility.

Branch Locations And Hours Of Operation

Branch locations and business hours are considered convenient and meet the needs of the assessment area. The bank's three branches are accessible to all segments of the community. As previously mentioned, one new branch is scheduled to open in August 1997. While no branches have been closed since the previous evaluation, a branch closing policy has been adopted as required by the Federal Deposit Insurance Corporation Improvement Act of 1991. Hours of operation are considered convenient with all branches, including the new branch, offering Saturday hours.

Community Development Services

F & M Bank - Blakeley Inc. participates in a school partnership with a Jefferson County elementary school which includes the establishment of a school savings program. The bank also provides social security check cashing services for noncustomers at no charge.

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.