PUBLIC DISCLOSURE

March 16, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Barbour County Bank

05541158

107 Pike Street

Philippi, West Virginia 26416

Federal Reserve Bank of Richmond
P. O. Box 27622
Richmond, Virginia 23261

NOTE: 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 Barbour County Bank, Philippi, West Virginia, prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of March 16, 1998. 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 reasonable portion to low- and moderate-income borrowers, the institution’s level of lending is low and demonstrates an overall less-than-satisfactory performance. The bank’s loan-to-deposit ratio has remained relatively stable since the previous examination and currently averages 20%. 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.

DESCRIPTION OF INSTITUTION

Barbour County Bank operates its only office in Philippi, West Virginia. As of December 31, 1997, the bank had assets of $84 million, of which 79% were securities and 18% were loans. 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, 1997, is as follows: 75% real estate secured (consumer and business), 13% consumer, and 12% commercial. Based on the number of loans extended during the previous six months, consumer unsecured loans and residential mortgage loans were identified as principal credit products offered by the bank. The institution's previous CRA rating was “Needs to Improve”.

DESCRIPTION OF ASSESSMENT AREA

The institution’s assessment area encompasses Barbour County, West Virginia, 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). One BNA is considered moderate-income, and the remaining three are considered middle-income. There are no low- or upper-income geographies within the assessment area. The 1997 median family income for nonmetroplitian areas of West Virginia is $27,600.

Once a prosperous 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. Current major employers include the public school system, the United States Postal Service, the United States Department of Agriculture, and Broaddus Hospital. As of January 1998, the unemployment rate for Barbour County was 13.7%, which remains significantly higher than the West Virginia State rate of 7.5%.

A community contact was made with a local governmental official 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 residents from the community in search of jobs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN-TO-DEPOSIT RATIO

During a four-quarter period ending December 1997, the quarterly average loan-to-deposit ratio for all banks headquartered in nonmetropolitan areas of West Virginia and of similar asset size to Barbour County Bank ranged from 68% to 73%. Additionally, as of December 31, 1997, the average loan-to-deposit ratio for banks of similar asset size headquartered in north central West Virginia was 59%. However, neither ratio constitutes a sound benchmark for comparative purposes, as they both include banks with branches in areas of West Virginia that are not subject to the high levels of unemployment found in Barbour County. The bank’s average loan-to-deposit ratio for the previous four quarters is 20%. This ratio has declined slightly from 22% since the previous evaluation and appears to have stabilized. During this four-quarter period, loan growth (6%) outpaced deposit growth (<1%) reversing a trend of negative loan growth. The institution’s figure reflects, in part, the weak local economy. Nonetheless, the ratio does not meet the expectations for satisfactory performance given the institution’s size, financial condition, and location.

LENDING IN ASSESSMENT AREA

To determine the institution's volume of lending within the assessment area, a sample of 100 consumer unsecured loans and 42 residential mortgage loans was reviewed. The sample was selected from approximately 200 consumer unsecured loans and 46 residential mortgage loans extended during the previous six months. The lending distribution is represented in the following table.

Comparison of Credit Extended Inside and Outside of Assessment Area

	Inside Assessment Area	Outside Assessment Area	Total
Total Number of Loans	114	28	142
Percentage of Total Loans	80%	20%	100%
Total Amount of Loans (000's)	$1,325	$438	$1,763
Percentage of Total Amount	75%	25%	100%

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

LENDING TO BORROWERS OF DIFFERENT INCOMES

The following chart illustrates the distribution of the 79 consumer unsecured loans extended within the assessment area by income level of the borrower. Seven of these files did not include the applicant’s income and, therefore, were not included in the analysis.

Distribution of Loans by Income Level of the Borrower

Consumer Unsecured Loans

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	46	16	7	3	72
Percentage of Total Loans	64%	22%	10%	4%	100%
Total Amount of Loans (000's)	$47	$32	$18	$14	$111
Percentage of Total Loans	42%	29%	16%	13%	100%

Furthermore, a review of the 35 residential mortgage loans extended within the assessment area was conducted to analyze borrower income characteristics. Four of the 35 loan files did not include the applicant’s income and, therefore, were not included in this analysis. The following chart illustrates the distribution of sampled loans by borrower income level.

Distribution of Loans by Income Level of the Borrower

Residential Mortgage Loans

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	2	4	11	14	31
Percentage of Total Loans	6%	13%	36%	45%	100%
Total Amount of Loans (000's)	$33	$92	$307	$630	$1,062
Percentage of Total Loans	3%	9%	29%	59%	100%

As a means of comparison, the following chart 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 volume of consumer unsecured loans to low- and moderate-income borrowers (86%) substantially exceeds the proportion (48%) of such families in the community. The volume of residential mortgage loans extended to moderate-income families (13%) approximates the proportion of such families (17%) in the market. However, the volume of residential mortgage loans to low-income borrowers (6%) is significantly lower than the percentage of such families (31%) in the assessment area. As noted previously, the area suffers from high levels of unemployment, and a significant portion (25%) of the county’s residents live below the poverty level. The effective demand for residential mortgage loans by low-income families may, therefore, be limited.

The bank’s overall loan distribution is considered adequate given local economic conditions and relative to estimated demand for these loans, using area demographics as a proxy.

GEOGRAPHIC DISTRIBUTION OF LOANS

The review of loan files also included an analysis of lending among BNAs within the assessment area. As mentioned previously, there are no low- or upper-income areas located within the market. The following charts depict the geographic distribution of the sampled loans extended to residents of the assessment area.

Distribution of Loans in Assessment Area by Income Level of the BNA

Consumer Unsecured Loans

	Moderate-Income	Middle- Income	Total
Total Number of Loans	21	58	79
Percentage of Total Loans	27%	73%	100%
Total Amount of Loans (000's)	$19	$102	$121
Percentage of Total Loans	15%	85%	100%

Residential Mortgage Loans

	Moderate-Income	Middle- Income	Total
Total Number of Loans	4	31	35
Percentage of Total Loans	11%	89%	100%
Total Amount of Loans (000's)	$125	$1,079	$1,204
Percentage of Total Loans	10%	90%	100%

In the bank's assessment area, 23% of the population resides in the moderate-income BNA, and 77% resides in middle-income BNAs. The percentage of consumer loans extended in the moderate-income BNA (27%) compares favorably to the percentage of the population (23%) residing in the moderate-income BNA. The volume of residential mortgage loans extended in the moderate-income BNA (11%) is somewhat lower than the percentage (23%) of the population residing in the geography. However, the bank’s overall geographic distribution of loans appears adequate given the bank's resources and area demographics.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS

No credit practices inconsistent with the substantive provisions of 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.