



PUBLIC DISCLOSURE

April 4, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Mountain Valley Bank, National Association

Charter Number 9610

317 Davis Avenue
Elkins, West Virginia 26241

Office of the Comptroller of the Currency

Pittsburgh Field Office
Corporate One Office Park
4075 Monroeville Boulevard
Building 2, Suite 300
Monroeville, PA 15146

NOTE: This document is an evaluation of this 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. 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.



INSTITUTION'S CRA RATING: This institution is rated Outstanding

The Lending Test is rated: Outstanding

The major factors supporting the institution's rating include:

- The bank's Loan to Deposit ratio is more than reasonable given the bank's size, financial condition, and lending related activities.
- A substantial majority of the bank's loans originated during the evaluation period were originated within the bank's assessment area (AA).
- The distribution of loans represents an excellent penetration among individuals of different income levels.
- During the evaluation period there were no complaints related to the bank's performance in meeting the credit needs of the AA.

SCOPE OF EVALUATION

Mountain Valley Bank, National Association (Mountain Valley) was evaluated under the Small Bank Community Reinvestment Act (CRA) evaluation procedures. We evaluated the bank's performance under the Lending Test including its record of meeting assessment area (AA) credit needs through lending activities including loan distribution among AA borrowers and to low- and moderate-income borrowers. Our review covered the bank's performance from January 1, 2014, through December 31, 2015, as this is representative of its lending strategy since the last CRA evaluation. Residential mortgages were determined to be the bank's primary loan product and were reviewed as part of this evaluation. In order to assess the bank's lending activity, we reviewed a random sample of sixty-five residential mortgage loans originated between January 1, 2014, and December 31, 2015.

DESCRIPTION OF INSTITUTION

Mountain Valley is a \$131.4 million intrastate community bank chartered in 1909. Mountain Valley is headquartered in Elkins, West Virginia. The bank is solely owned by Mountain Valley Bancshares, Inc., a one bank holding company located in Elkins, West Virginia. Mountain Valley does not have any operating subsidiaries. Mountain Valley's business strategy remains primarily focused on making residential loans within its market area.



Mountain Valley offers a full range of loan and deposit services with a focus on residential real estate lending and noncomplex commercial loans. As of December 31, 2015, Mountain Valley reported net loans of \$89.8 million, total deposits of \$110.3 million, and tier one capital of \$17.7 million. Net loans represented 68.29% of total assets. Additional information regarding the bank's products and services is available on its website: www.mountainvalleybank.com. In addition to the informational website, Mountain Valley offers online and telephone banking services.

Mountain Valley operates four full-service branch offices. One of the branch offices is located at Mountain Valley's main office in Elkins, West Virginia. The other three branch offices are located in Elkins, Mill Creek, and Parsons, West Virginia. All four branch offices operate with the same lobby hours. The branch lobbies are open Monday through Thursday 9:00AM-3:00PM and Friday 9:00AM-6:00PM. The four branches also offer drive-up window services with extended hours Monday through Thursday through 5:00PM at the main office and 4:30PM at the other branches. Hours extend on Friday through 6:00PM and Saturdays from 8:00AM until noon at the main branch, 9:00AM until noon at the Mill Creek branch, and 8:30AM until noon at the Elkins branch. The Parsons office is closed Saturdays. Mountain Valley operates four automated teller machines (ATMs). Three of the ATMs are situated at the branch office locations in Parsons, Mill Creek, and Elkins. There is one offsite ATM located at the Super Splash Car Wash in Elkins, West Virginia.

There are no financial or legal circumstances impeding the bank's ability to help meet the credit needs in its assessment area. The last Public Evaluation (PE) dated August 10, 2009, for the period ended June 30, 2009, gave Mountain Valley an "Outstanding" rating.

DESCRIPTION OF ASSESSMENT AREA

Tucker/Randolph County Non-MSA Assessment Area

Mountain Valley's assessment area (AA) consists of two, whole, contiguous West Virginia counties: Tucker and Randolph. Neither county is located within a Metropolitan Statistical Area (MSA). Tucker and Randolph counties, combined, consist of ten census tracts (CTs). All three of the CTs in Tucker County are classified as middle-income. Five of the CTs in Randolph County are classified as middle-income and two are classified as upper-income. Neither county contains any CTs classified as low- or moderate-income. Mountain Valley's Tucker/Randolph County Non-MSA AA meets CRA regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies.

The following describes the Tucker/Randolph County Non-MSA Assessment Area:



Demographic Information for Assessment Area Tucker & Randolph Counties						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	10	0.00	0.00	80.00	20.00	0.00
Population by Geography	36,546	0.00	0.00	78.29	21.71	0.00
Owner-Occupied Housing by Geography	11,312	0.00	0.00	77.88	22.12	0.00
Business by Geography	1870	0.00	0.00	76.15	23.85	0.00
Farms by Geography	66	0.00	0.00	81.82	18.18	0.00
Family Distribution by Income Level	9,763	19.08	15.86	23.08	41.99	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies*	3,411	0.00	0.00	83.38	16.62	0.00
Median Family Income		\$46,394	Median Housing Value	\$95,693		
HUD Adjusted Median Family Income for 2015		\$48,900	Unemployment Rate	5.9% West Virginia		
Households Below Poverty Level		18.95%		7.0% Tucker County		
				7.8% Randolph County		

Source: 2010 US Census and Bureau of Labor Statistics

*Distribution of Low and Moderate Income Families throughout AA Geographies calculated by combining the number of low income families in each tract and the number of moderate income families in each tract and dividing by the total number of low and moderate income families (page 5 "Family Distribution" of Mt Valley Demographic Reports (CRA Wiz).

The 2010 US census data reports total population of 36,546 in the AA, with 9,763 total families and 14,451 total households. Of the total population in the AA, 17.53% of persons are over age sixty-five. The United States Department of Housing and Urban Development (HUD) adjusted median family income reported for 2015 equals \$48,900 for the AA. Of total AA families, 19.08% are classified as low-income, 15.86% moderate-income, 23.08% middle-income, and 41.99% are classified as upper-income.

The 2010 census data reports that 65.95% of total households are supported by waged or salaried jobs. According to the 2010 census data, 34.66% of households derive income from social security, 21.91% are in retirement, and 18.95% of households are below the poverty level. The 2010 census data reports that of total housing units in the AA, 58.38% are owner-occupied and the median housing value in the AA is \$95,693.

As determined by the Federal Financial Institutions Examination Council (FFIEC), all three CTs in Tucker County are designated as "underserved" and Tucker County is considered a "distressed" county. No CTs in Randolph County are considered underserved or distressed.

Tucker County

Tucker County is predominantly rural in nature. The unemployment rate in Tucker County for 2015 was 7.0%. This level of unemployment represents a higher level than



the state of West Virginia (5.9%). The 2015 level of unemployment reflects a significant improvement from June 2009 when it was 12.8%. The unemployment rate in Tucker County had been on a steady decline since its peak in 2009; however, the reported rate of unemployment increased from 2014 to 2015. The 2015 unemployment rate of 7.0% is slightly higher than it was in 2014 at 6.4%. Top employers in Tucker County, as of March 2015 include: Canaan Valley Resorts, Timberline Four Seasons Resort Management Company, Inc., Mettiki Coal (West Virginia), LLC, Tucker County Board of Education, Cortland Acres Nursing Home, Kingsford Manufacturing Company, Tucker County Senior Citizens, Inc., West Virginia Division of Juvenile Services, West Virginia Division of Natural Resources, and CGP Foods, Inc. (Shop N Save). The top five specialized industries by employment for 2015 include: leisure and hospitality, manufacturing, construction, financial activities, and other services.

Randolph County

Randolph County is also predominantly rural in nature. The unemployment rate in Randolph County for 2015 was 7.8%. This level of unemployment represents a higher level than the state of West Virginia (5.9%). The 2015 level of unemployment reflects a substantial improvement from June 2009 when it was 10.5%. The unemployment rate in Randolph County had been on a steady decline since its peak in 2010; however, the reported rate of unemployment increased from 2014 to 2015. The 2015 unemployment rate of 7.8% is slightly higher than it was in 2014 at 7.1%. Top employers in Randolph County, as of March 2015 include: Davis Memorial Hospital, Randolph County Board of Education, Armstrong Hardwood Flooring Company, Huttonsville Correctional Center, Davis and Elkins College, West Virginia's Choice, Inc., Wal-Mart Stores, Inc., West Virginia Department of Highways, TRG Customer Solutions, Inc., and Custom Business Solutions LLC. The top five specialized industries by employment for 2015 include: education and health, manufacturing, construction, financial activities, and other services.

Competition in Tucker/Randolph County Non-MSA Assessment Area

Competition in the Tucker/Randolph County Non-MSA Assessment Area is strong. According to the FDIC Deposit Market Share Report as of June 30, 2015, Mountain Valley is ranked first within Tucker County with 33.89% of deposits. One of Mountain Valley's four branches is located in Tucker County. Tucker County area competitors include: The Grant County Bank, Miners & Merchants Bank, and Citizens Bank of West Virginia, Inc. The Grant County Bank operates two branches in the county and ranks second with 23.74% of deposit market share. Miners & Merchants Bank operates one branch in the county and accounts for 22.50% of deposit market share. Citizens Bank of West Virginia, Inc., also operates one branch in the county and is ranked last with 19.87% of deposit market share.

According to the FDIC Deposit Market Share Report as of June 30, 2015, Mountain Valley is ranked fourth within Randolph County with 16.06% of total deposit market



share. Mountain Valley operates three of its four branches in Randolph County. Randolph County competitors include: Citizens Bank of West Virginia, Inc., Davis Trust Company, The Huntington National Bank, The Grant County Bank, Freedom Bank, Inc., and Woodforest National Bank. Citizens Bank of West Virginia, Inc., operates three branches in Randolph County and is ranked first with 30.25% of deposit market share. Davis Trust Company operates two branches in the county with 27.97% of deposit market share. The Huntington National Bank operates two branches in the county and accounts for 16.66% of total deposit market share. The Grant County Bank, Freedom Bank Inc., and Woodforest National Bank each operate one branch in Randolph County and account for 4.57%, 4.06%, and 0.44% of total deposit market share, respectively.

We contacted a local non-profit community organization. The community organization serves Tucker, Randolph, Louis, Pendleton, Upshur, and Barbour counties. The organization seeks to promote strong communities through affordable housing and community development. The organization was founded for the purpose of combating poverty and receives federal, state, local, and private funding. The organization provides back office support for other community development organizations in the region, funds Section 8 vouchers for 700 families in the region, and runs a youth building program that helps 70 young people pass their General Educational Development (GED) tests and train for jobs. Additionally, related organizations provide homeownership counseling, mortgage origination for affordable housing, low- and moderate-income housing development, and small business lending through a Community Development Financial Institution fund. The contact advised that economic conditions in the region generally tracked state averages. There were not significant boom/bust cycles as in other areas with higher concentrations of mining and oil/gas businesses. The contact also indicated that many borrowers are debt averse and refuse to secure debt with their home. Additionally, the contact stated that the local financial institutions are generally responsive to community needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Lending Test

Mountain Valley's performance under the Lending Test is rated "outstanding."

Loan-to-Deposit Ratio

Mountain Valley's record of lending as measured by its Loan to Deposit (LTD) ratio is more than reasonable compared to the record of lending exhibited by peer banks over the same period.

The analysis of Mountain Valley's record of lending, measured by its LTD ratio, was performed at the bank level. In order to evaluate Mountain Valley's record of lending, we compared Mountain Valley's LTD ratio against the average LTD ratios reported by a peer group of eighteen other similarly sized, local financial institutions. Specifically, the



peer group was comprised of financial institutions headquartered in West Virginia with total assets ranging from \$100 million to \$200 million.

Mountain Valley's average LTD ratio over the twenty-six quarters between July 1, 2009, and December 31, 2015, was 77.14%. The LTD ratio ranged from a high of 83.67% as of December 31, 2009, to a low of 62.65% as of September 30th, 2012. During the same period, the group of nineteen institutions, eighteen peer banks, and Mountain Valley reported an average LTD ratio of 68.13%. Over the evaluation period, the highest LTD ratio for a single institution was 108.91% while the lowest was 16.81%.

Lending in Assessment Area

Mountain Valley originated a substantial majority of its loans inside its AA. In order to evaluate this record, we measured and analyzed Mountain Valley's record of originating loans inside versus outside of its AA. This analysis focused on Mountain Valley's record of originating home loans within its AA since these loans constitute its primary loan products.

The analysis was performed using the home loan data collected from our random sample of loans originated during the evaluation period. Mountain Valley's home loan originations included loans for purposes of home purchase, home improvement, and home refinance.

Mountain Valley's home loan data revealed that the number and dollar amounts of home loans the bank originated over the period within its AA equaled 85.19% and 78.68%, respectively.

Lending to Borrowers of Different Incomes

Mountain Valley's record of originating home loans in its AA reflects excellent penetration among individuals of different income levels (including low- and moderate-income).

The following tables detail the distribution of home loans originated by Mountain Valley during the evaluation period among borrowers within its AA.



Borrower Distribution of Residential Real Estate Purchase Loans in Tucker/Randolph County NonMSA Assessment Area								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
% of Total	19.08%	18.75%	15.85%	31.25%	23.08%	12.50%	41.99%	37.50%

Borrower Distribution of Residential Real Estate Refinance Loans in Tucker/Randolph County NonMSA Assessment Area								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
% of Total	19.08%	20.00%	15.85%	24.00%	23.08%	20.00%	41.99%	36.00%

Borrower Distribution of Residential Real Estate Home Improvement Loans in Tucker/Randolph County NonMSA Assessment Area								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
% of Total	19.08%	8.33%	15.85%	33.33%	23.08%	25.00%	41.99%	33.33%

Mountain Valley's record of originating home loans revealed that of home purchase, home refinance, and home improvement loans originated within its AA, 18.75%, 20.00%, and 8.33% were originated to low-income AA borrowers and 31.25%, 24.00%, and 33.33% were originated to moderate-income AA borrowers. Comparatively, the percentage of low income families in the AA is 19.08% and the percentage of moderate income families in AA is 15.85%.

Mountain Valley's record of originating home purchase loans to low-income borrowers is near to the percentage of low-income borrowers. The record of originating home refinance loans to low-income borrowers exceeds the percentage of low-income



borrowers in the AA. Mountain Valley's record of originating home improvement loans to low-income borrowers is below the percentage of low-income families in the AA.

Opportunities to originate home improvement loans to low-income borrowers is limited as low-income borrowers are less likely to be homeowners and are often less able to support additional debt service to remodel or repair homes. Additionally, our discussion with the community contact indicated that homeowners in the region are debt averse and less likely to secure home improvement loans with their primary residence.

Mountain Valley's record of originating home purchase, home improvement, and home refinance loans to moderate-income borrowers substantially exceeds the percentage of moderate-income borrowers in the AA. When combining both low- and moderate-income borrowers, Mountain Valley's record of originating home purchase, home improvement, and home refinance continues to substantially exceed the percentage of population in the AA.

Geographic Distribution of Loans

Mountain Valley's AA contains only middle- and upper-income CTs. Since Mountain Valley's AA does not contain low- or moderate-income geographies, an analysis of the distribution of loans among geographies of different income levels would not have been meaningful and was not performed.

Responses to Complaints

Mountain Valley did not receive any complaints about its performance in helping to meet credit needs in the assessment area during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.