



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

August 10, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Mountain Valley Bank, National Association
Charter Number 9610

317 Davis Avenue
Elkins, WV 26241

Office of the Comptroller of the Currency

Western Pennsylvania (Pittsburgh) Field Office
4075 Monroeville Boulevard Building 2, Suite 300
Monroeville, PA. 15146-2529

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 bank's loan-to-deposit ratio is reasonable given its size and lending capacity as well as assessment area credit needs;
- The bank originated a substantial majority of its loans within its assessment area;
- The bank's record of dispersing loan originations among assessment area borrowers of different income levels is excellent.

SCOPE OF EXAMINATION

Mountain Valley Bank, National Association (MVB) was evaluated under the Small Bank Community Reinvestment Act (CRA) examination procedures. Our review covered the bank's performance from January 1, 2007 to June 30, 2009, as this is representative of its lending strategy since the last CRA examination. Residential mortgages were determined to be the bank's primary loan product and were reviewed as part of this examination. In order to assess the bank's lending activity, we reviewed a random sample of thirty residential mortgage loans originated between January 1, 2007 and June 30, 2009.

DESCRIPTION OF INSTITUTION

MVB is a \$110.9 million intrastate, community bank, chartered in 1909 and headquartered in Elkins, West Virginia. MVB operates four full-service branch offices. One of the branch offices is located at MVB's main office in Elkins, West Virginia. The other three branch offices are located in Elkins, Mill Creek, and Parsons, West Virginia.

MVB operates four automated teller machines (ATMs.) Three of the ATMs are located at branch office sites. The other ATM is situated at an off-site location. The branches operate during regular business hours and offer extended lobby hours on Fridays, until 6:00 p.m. Drive-in facilities located at the Elkins and Mill Creek branch office locations are open on Saturdays, until noon. The bank is wholly owned by Mountain Valley Bancshares, Inc., a one-bank holding company located in Elkins, West Virginia. MVB does not have any operating subsidiaries. MVB did not open or close any branch offices during the evaluation period.

MVB offers a full range of loan and deposit services with a focus on residential real estate lending. MVB's retail products include checking accounts, savings programs and individual retirement accounts. MVB's commercial products include commercial, agricultural and small business loans. The bank also offers services including telephone and internet banking. Internet banking is limited to standard services such as account transfers and bill pay. Additional information regarding the bank's products and services is offered via its website: www.mountainvalleybank.com.

As of March 31, 2009, MVB reported net loans of \$66.8 million, total deposits of \$93.8 million, and tier one capital of \$14.8 million. Net loans represented 60.2% of total assets. MVB's loan portfolio consists of: residential real-estate loans (46%), commercial loans (39%), consumer loans (11%), and construction and development loans (4%). There are no financial or legal circumstances impeding the bank's ability to help meet the credit needs in its assessment area. At the prior CRA examination for the period ended June 28, 2005, MVB received a "Satisfactory" rating.

DESCRIPTION OF ASSESSMENT AREA(S)

MVB's assessment area (AA) consists of two whole, contiguous, West Virginia counties; Randolph and Tucker. Neither of these two counties is located within a Metropolitan Statistical Area (MSA.) Randolph and Tucker Counties combined, consist of ten census tracts (CTs). All ten of these CTs are classified as middle-income. Neither Randolph or Tucker County contains any CTs classified as low, moderate-, or upper-income. MVB's AA meets CRA regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies. The following information describes the AA:

Demographic Information for Full Scope Area: Randolph/Tucker Counties						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	10	0.00	0.00	100.00	0.00	0.00
Population by Geography	35,583	0.00	0.00	100.00	0.00	0.00
Owner-Occupied Housing by Geography	10,913	0.00	0.00	100.00	0.00	0.00
Business by Geography	2,385	0.00	0.00	100.00	0.00	0.00
Farms by Geography	59	0.00	0.00	100.00	0.00	0.00
Family Distribution by Income Level	9,825	19.00	18.80	23.54	38.66	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	3,714	0.00	0.00	100.00	0.00	0.00
Median Family Income HUD Adjusted Median Family Income for 2009 Households Below Poverty Level	32,378 43,100 17.9%	Median Housing Value Unemployment Rate (2009 Bureau of Labor Statistics)		64,096 10.5% Randolph County 12.9% Tucker County		

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 US Census and 2008 HUD updated MFI

As determined by the federal banking agencies, all ten of the CTs comprising the bank's AA are designated as "underserved" middle-income, nonmetropolitan CTs. In addition, Tucker County is considered by the agencies to be a "distressed" county.

According to 2000 U.S. Census Data, the AA population totaled 35,583, AA families totaled 9,825 and AA households totaled 18,112. Of AA households, 17.90% subsist

below the poverty level. Of the 9,825, AA families 1,866 and 1,847 were classified as low-and moderate-income respectively. The US census reports for 2000, the AA median income to be \$32,378 and HUD, updated for 2009, reports AA median family income to be \$43,100. Of AA families, 19%, 19%, 23% and 39% are classified as low-moderate-middle-and upper-income respectively.

Randolph County is primarily rural in nature and has been experiencing economic decline. The Bureau of Labor Statistics, as of June 2009, reported the unemployment rate in Randolph County to be 10.5%. This level of unemployment represents a slightly higher level than the state of West Virginia, for which the rate was reported to be 9.2%. This rate of unemployment for the county also reflects a significant increase from a rate of 5.2% reported for June 2008. Top employers, as of March 2008 include: Armstrong Hardwood Flooring Company, Davis Memorial Hospital, The Randolph County Board of Education, Aegis Communications Group, Inc., and Huttonsville Correctional Center. Major area industries include education, health and social services, manufacturing, and retail trade.

Tucker County is also primarily rural in nature and has also been experiencing economic decline. The Bureau of Labor Statistics, as of June 2009, reported the unemployment rate in Tucker County to be 12.8%. This level of unemployment represents a higher level than the state of West Virginia (9.2%). This rate of unemployment for the county also reflects a significant increase from a rate of 6.1% reported for June 2008. Top area employers, as of March 2008 include: Canaan Valley Resorts, Tucker County Board of Education, Timberline Four Seasons Resort Management Company, Cortland Acres Nursing Home, and Kingsford Manufacturing Company. Major area industries include education, health and social services, arts, entertainment, recreation, accommodation and food services, manufacturing, and construction.

Competition in the AA is strong. According to the FDIC Deposit Market Share Report as of June 30, 2008, within Randolph County, MVB is ranked fourth in market share with 12.3% of county deposits. Of MVB's four branches, three are located in Randolph County. Area competitors include: Citizens National Bank of Elkins, Davis Trust Company, and Huntington National Bank. Citizens NB operates three of four branches in the county and is ranked first and accounts for 35.74% of county deposits. Davis Trust Company operates its only branch in the area and accounts for 22.92% of county deposits. Huntington National Bank operates two area branches and accounts for 20.37% of county deposits.

According to the FDIC Deposit Market Share Report, within Tucker County, MVB is ranked first in market share and accounts for 29.31% of county deposits. Of MVB's four branches, one is located in Tucker County. Competitors in this area include: Miners and Merchants Bank, Grant County Bank, and Citizens NB of Elkins. Miners and Merchants Bank operates one branch in the county, is ranked second and accounts for 24.19% of deposits. Grant County Bank operates two area branches and Citizens NB operates one area branch. Grant County Bank and Citizen's NB have equal deposit market shares, accounting for 23.25% of county deposits apiece.

During the examination, an economic development organization serving Randolph County was contacted. The focus of the organization is real estate development, business retention and expansion. The contact stated that the wood and timber industries which are prevalent in the area have been adversely impacted by deterioration in the housing market. As a result, several local wood and timber industry employers have downsized. Economic conditions have also adversely impacted local hospitals. The contact stated that there is a lot of goodwill, interest, and support from local financial institutions that all participate in financing local real estate projects. The contact also recognized that some of the smaller institutions do not have the capacity to undertake the financing for larger projects given legal lending limit restrictions. The contact mentioned that MVB contributes to meeting area credit needs through originating residential housing and small business loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

MVB's performance under the lending test is "Outstanding". MVB's loan-to-deposit ratio is considered to be reasonable. MVB originated a substantial majority of sampled residential mortgage loans within its AA. MVB's demonstrates an excellent record of distributing residential mortgage loans among AA borrowers of different income levels.

Loan-to-Deposit Ratio

MVB's lending activity, measured by its LTD ratio is considered to be reasonable and meets the standard for satisfactory performance, considering the bank's size, lending capacity, AA credit needs and economic conditions.

Lending activity over the evaluation period was measured by comparing the sixteen quarter-average, LTD ratios reported by the MVB and a peer group consisting of West Virginia banks of similar size. The twenty-seven quarter average LTD ratio was calculated using financial data reported since the previous evaluation and was inclusive of each quarter-end from July 1, 2005 to March 31, 2009. MVB's LTD ratio over the evaluation period averaged 79.27% which compares favorably to the LTD ratio exhibited by similarly situated, peer banks which over the same period averaged 76.76%.

Lending in Assessment Area

MVB's record of originating loans within its AA, measured by data collected from a sample of residential mortgage loans, exceeds the standard for satisfactory performance. Of thirty sampled residential mortgage loans, MVB originated twenty seven loans within its AA. The residential mortgage loans originated by MVB within its AA represent a substantial majority of sampled residential mortgage loan originations.

Lending to Borrowers of Different Incomes

MVB's record of lending to AA borrowers of different income levels exceeds the

standard for satisfactory performance.

Borrower Distribution of Residential Real Estate Loans								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Residential Mortgage	19.00%	22.22%	18.80%	22.22%	23.54%	11.11%	38.66%	44.44%

Source: MVB loan sample from January 2007-June 2009; 2000 U.S. Census data.

The table above details the distribution of residential mortgage loans originated by MVB over the period, in the AA, among borrowers of different income levels. Specifically, of sampled residential mortgage loans originated by MVB over the period, the percentage of loans originated to both low-and moderate-income AA borrowers exceeds the percentage of AA families classified as low-and moderate-income. MVB's record of distributing residential mortgage loan originations to AA borrowers of different income levels is considered to be excellent considering AA demographic factors including poverty levels and AA economic conditions including unemployment.

Geographic Distribution of Loans

MVB's AA contains only middle-income CTs. Since MVBs AA does not contain geographies of different levels, 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

MVB 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

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

