



Comptroller of the Currency
Administrator of National Banks

Charleston Duty Station
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Charleston, West Virginia 25301

PUBLIC DISCLOSURE

**COMMUNITY REINVESTMENT ACT PERFORMANCE
EVALUATION**

September 23, 1996

**Matewan National Bank
Charter No. 10370
2nd Avenue and Vinson Street
Williamson, West Virginia 25661**

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 institution.

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Matewan National Bank** prepared by the Office of the Comptroller of the Currency (OCC), the institution's federal financial supervisory agency.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of **June 30, 1996**. The examination consisted of reviewing the bank's CRA activities since the previous CRA evaluation dated **July 16, 1993**. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 United States Code 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall:

- (1) Assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and
- (2) Take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Public Law Number 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size; legal impediments; local economic conditions; and, demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

BANK PROFILE

Matewan National Bank (MNB) is a \$352.7 million institution as of June 30, 1996, with its main office headquartered in Williamson, West Virginia. Including the main office in Williamson, the bank operates 5 offices in Mingo County, 2 in Logan County, and 1 in Boone County. Matewan National Bank is one of the largest banks in the local market area and is a consumer oriented, full service lender offering numerous loan and deposit products. MNB has been consistently profitable and as of June 30, 1996, reported \$2.2 million in net income, representing a return on average assets of 1.23%. The bank is considered well capitalized by regulatory definition. There are no financial or legal impediments that would impair the bank's performance under the CRA.

MNB is the lead bank of Matewan Bancshares, Inc. This bank holding company, as of June 30, 1996, had \$606 million in consolidated assets. Matewan Bancshares, Inc., also headquartered in Williamson, operates a total of 18 main office and branch locations throughout southwestern West Virginia and the extreme portion of southeastern Kentucky.

COMMUNITY PROFILE

The delineated community is comprised of Mingo, Logan, Lincoln, Boone, southern Wayne, and western Wyoming Counties of West Virginia, as well as Martin and eastern Pike Counties of Kentucky. With the exception of southern Wayne County, which is included in the Huntington metropolitan statistical area (MSA), the bank's delineated community consists entirely of rural, non-metropolitan statistical areas. The delineated community has an approximate population size of 193,700. The statewide median annual family income for the community range from \$26,300 in West Virginia to \$25,400 in Kentucky. Twenty-nine percent of the families in the West Virginia portion of the bank's delineated community and twenty-seven percent of the families in the Kentucky portion are low income families. These numbers are based upon 1990 census data. The unemployment average for the eight county region is approximately 10.7% (as of November 1995, West Virginia and Kentucky ranked #3 and #25, respectively, in unemployment). The economy delineated area is weak, with a high reliance on coal mining and supporting (railroad, mining supply, etc) industries.

The mountainous terrain, as well as the U.S. Army's Corps of Engineers' flood control project along the Tug Fork River, has caused a shortage of buildable land in the local area. The completion of Corridor G (U.S. Route 119) will significantly improve access to the Tug Valley. However, relocations caused by both the flood control project and the expanded right-of-way for Corridor G have had an adverse impact on the local population.

The bank's major competitors within it's delineated community are the First National Bank of Williamson and the Williamson branch of Bank One.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

Based on the findings presented below, this institution is rated: **“Outstanding Record of Meeting Community Credit Needs”**

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

Management and the Board effectively ascertain the credit needs of the local community through outreach programs with community groups and organizations. These various groups consist of civic, religious, housing development, small business, and educational groups. Some of the organizations that employees, management, and the Board of Directors are in contact with, or members of, are as follows: the Matewan Development Authority; the Mingo County Area Development Corporation; Harts Community Development, Inc.; Southern West Virginia Housing Service Project; Partners in Development, Inc.; the Eagle's Nest Program; Rural Entrepreneurship Through Action Learning (REAL) Enterprises Program; Southwestern Community Action, Inc.; Gilbert Regional Partners in Development; and the West Virginia Development Fund's Low-income Assisted Mortgage Program (LAMP).

The loan department has instituted a Focus Group to bring local small businesses together with lenders in an effort to better ascertain and meet small business credit needs. In addition, a survey entitled “We Need Your Helpful Coaching: Are we meeting the credit needs of your community?” is mailed quarterly to local community and civic leaders. Brochures containing this survey are also available in the various lobbies.

The Board has been highly responsive in addressing credit needs that have been ascertained through the groups listed above. (Affordable housing and general consumer loans that have been identified as credit needs.) Many of the groups listed above are geared toward providing innovative housing credit needs specifically for low- and moderate-income individuals or families. The Southern West Virginia Housing Project, Harts Community Development, Inc., the Mingo County Housing Authority, and the West Virginia Housing Development Fund's Low-income Assisted Mortgage Program are organizations that help provide housing loans for low- and moderate-income applicants with either low or no closing costs and reduced market interest rates.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Management and the Board of Directors regularly collect and analyze demographic data as part of the review of lending services and products that are offered.

As part of the examination, we conducted six community contacts with civic/community leaders and realtors. No credit needs were identified that were not being met by the local financial institutions. Due to the increased competition within the local banking market, potential borrowers are shopping for the best interest rates and loan terms among the banks.

The bank's consumer complaint file contained no complaints that indicate any systemic problems relating to consumer credit. No complaints regarding MNB's CRA performance have been received by the OCC during this evaluation period.

Assessment Factor C - The extent of participation by the institution's Board of Directors in formulating the institution's policies and reviewing its performance with respect to the purpose of the Community Reinvestment Act.

The Board of Directors are highly involved of the overall CRA planning process and activities. CRA goals and objectives are categorized as part of the bank's mission statement. MNB has a CRA Board Committee. This group provides regular and active oversight regarding CRA activities. Also, periodic CRA Loan/Deposit Analysis Reports are prepared in order to provide the Board with updates relating to CRA activities and are also used as an interim self-assessment tool. The bank's Compliance Officer conducts an annual CRA self-assessment and presents the Board with a CRA Internal Assessment Summary.

The current CRA statement was reviewed and approved by the Board of Directors in June, 1996.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

Management has implemented a sound marketing program which is approved, reviewed, and monitored by senior management and the Board. The marketing program informs all segments of the delineated community of products and services offered and does not exclude any low- and moderate-income areas.

DISCUSSION OF INSTITUTION'S PERFORMANCE

MNB advertises through a wide variety of media to promote credit products including television, newspaper, radio, billboards, direct mail, deposit account statement mailers and a bank-prepared Value Banking newsletter. Newspaper advertisements are placed in local newspapers such as the *Logan Banner*, *Guyandotte Voice*, *Coal Valley News*, *Hometown News*, *Williamson Daily News*, *Paintsville Herald*, *Martin County Sun*, *Gilbert Times*, and *Lincoln Journal*. Radio advertising is conducted at stations such as WXCC in Williamson; WVKM in Matewan; WVOW in Logan; WQBE in Charleston; WZAC in Madison; and, WZLK, WPKE, and WDHR in Pikeville. The bank also advertises on seventeen billboards throughout southwestern West Virginia and eastern Kentucky.

The bank uses both image and specific product type advertising. Specific product advertising includes home purchase, home improvement, home equity, small business, automobile, and personal loans. In addition, the bank publishes a quarterly Value Banking newsletter which details product lines and generic financial planning advice for all age groups. This newsletter is sent to all residents, according to the zip codes encompassed by their delineated community.

Management is actively involved in assisting individuals and groups applying for credit. MNB provides facilities and personnel for the presentation of seminars conducted by groups such as the Logan County Chamber of Commerce, Southern West Virginia Community College, and the REAL Enterprises Program, all of which focuses on giving financial advice to small businesses.

Complete, readily available marketing and advertising records are maintained and internally reviewed for compliance with applicable laws and regulations.

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

MNB, in conjunction with its active ascertainment efforts, affirmatively addresses the credit needs within their delineated community. The bank is a large provider of mortgage, consumer, and small business loans.

Lending levels reflect an exceptional responsiveness to the credit needs of the community. As of June 30, 1996, MNB's net loan to deposit ratio equaled 74%, which is identical to the national peer group average, but well in excess of their local competitors. This ratio signifies that seventy-four cents of every dollar in deposits is invested in the form of loans. A significant volume (89%) of the total loans originated during 1995 were within the bank's delineated community. Additionally, as of June 30, 1996, eighty-five percent of the loans originated in 1996 were within their delineated community. In keeping with the

DISCUSSION OF INSTITUTION'S PERFORMANCE

bank's commitment to consumers, the majority of their loan portfolio presently consists of residential loans (36.6%) and consumer loans (34%).

The following table reflects the level of consumer lending, by type of product, since the last CRA examination:

Consumer Product Type	# of Loans Originated Since 7/16/93	Dollars Loaned Since 7/16/93
1-4 Family (1st Deed of Trust)	2,387	\$51,673,098
1-4 Family (2nd Deed of Trust)	538	\$5,503,780
Mobile Homes	693	\$4,683,037
Automobiles	5,778	\$38,627,814
Personal Unsecured	8,973	\$13,090,742
General Consumer	2,167	\$7,559,571
Raw Land/Land Development	208	\$1,563,201

As mentioned earlier, the bank is a large provider of all types of credit within their delineated community. In addition to the traditional in-house mortgage products, Matewan National Bank is an approved Farmers Home Administration (FmHA) Guaranteed Rural Housing Lender. The bank, in conjunction with the Housing Authority of Mingo County, has applied for \$1.65 million dollars from the Federal Home Loan Bank for the purpose of making loans for low income housing in Mingo and Logan Counties.

The bank has committed \$120 thousand dollars to the Southern West Virginia Housing Service Project. As of June 30, 1996, the bank has loaned \$119.4 thousand dollars of this committed amount. These credits have below market interest rates and low or no down payment requirements. These special loan programs include first time home buyers, home improvement/rehabilitation, and construction loans.

DISCUSSION OF INSTITUTION'S PERFORMANCE

The bank has made loans totaling \$591 thousand dollars in tax exempt loans to public works and emergency services agencies located within their delineated area. The proceeds of these loans were used to improve the water waste treatment capability, fire protection, and ambulance services.

The bank offers a 24-hour toll free "Phone-A-Loan" service for consumer loans. This service simplifies the application process for small consumer loans by permitting customers to apply over the phone, from the comfort of their homes or work sites. The "Phone-A-Loan" service also offers customers the capability to fax documents to the credit department as part of the loan application and approval process.

MNB's CRA Statement correctly lists all credit products available throughout its delineated community.

Assessment Factor J - The institution's participation in governmentally insured, guaranteed or subsidized loan programs for housing, small business, or small farms.

The bank affirmatively participates in a variety of governmentally insured, guaranteed, and subsidized loan programs. These include Small Business Administration (SBA), Federal Housing Act (FHA), and Farmers Home Administration (FmHA).

The following table reflects the level of governmentally insured, guaranteed, and subsidized lending, by type of product, since the last CRA examination:

Product Type	# of Loans Originated Since 7/16/93	Dollars Loaned Since 7/16/93
SBA Loans	11	\$481,636
FHA/FmHA Loans	386	\$3,260,565

While the bank offers federally sponsored student loans, the historical demand for this type of credit has not been high.

DISCUSSION OF INSTITUTION'S PERFORMANCE

As previously discussed, the bank has applied for \$1.65 million dollars from the Federal Home Loan Bank for the purpose of making loans for low income housing in Mingo and Logan Counties.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

The delineated community of MNB consists of Mingo, Logan, Lincoln, Boone, southern Wayne, and western Wyoming Counties of West Virginia, as well as Martin and eastern Pike Counties of Kentucky. The delineation of the area was established using geographic boundaries as well as political boundaries (county and district lines, etc.). This delineation is based upon lending patterns in both West Virginia and Kentucky, as well as the areas where their offices are located in West Virginia. The delineated community meets the purposes of CRA and does not exclude any low- and moderate-income areas. There has been no change in the delineated community since the last CRA examination.

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

MNB's geographic distribution of loans demonstrates a very reasonable penetration in all segments of the delineated community, including low- and moderate-income areas.

A documented analysis of the geographic distribution of credit products is prepared at least on an annual basis. The results of the geographic analysis are used by the Board and senior management to develop loan products and marketing plans. The periodic CRA Loan/Deposit Analysis Reports prepared by the Compliance Officer are used by the Board and management to monitor the market penetration for both loan and deposit products.

Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.

The bank's offices are readily accessible to all segments of its delineated community, including low- and moderate-income areas.

MNB operates 8 full service branches, all of which, with the exception of the Delbarton branch, offer automated teller machines (ATMs). All of the bank's branches are situated within low- and moderate-income areas. One of these branches, located in Williamson, contains the "Money Center". The Money Center specializes in accepting and processing commercial and consumer credit. These branches are located in Mingo, Logan, and Boone

DISCUSSION OF INSTITUTION'S PERFORMANCE

Counties. The bank was the first bank in southern West Virginia to offer drive through and automated teller machine service. MNB continues to offer more banking hours to the public than any of their competitor banks in the area.

The bank's record of opening and closing offices has not adversely impacted the level of services available in the delineated community, including low- and moderate-income areas. Despite never having closed any of its branches, the Board approved a branch closing policy in May, 1996. Although, management does not presently anticipate the need to close any branches, this policy was adopted merely to minimize adverse impacts from branch closings, consolidations, or reductions in services that may occur in the future.

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

The bank solicits credit applications from all segments of its local community, including low- and moderate-income areas. The Board of Directors has approved adequate policies, procedures, and training programs which support non-discriminatory lending practices.

The objective of the bank's present comparative file review process is to ensure credit decisions are the same for similarly qualified applicants, regardless of race. In order to ensure all applicants receive fair and equal treatment, the bank is expanding its system to test for possible disparate treatment based on any prohibited basis (race, sex, religion, age, national origin, etc.).

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

Comparative file testing was conducted as part of our fair lending examination. Our sample consisted of unsecured consumer loan applications received during the first half 1996. We reviewed the rejected applications of females requesting unsecured credit. Our control group consisted of male applicants who had been granted unsecured credit. (We reviewed 65 files which included 15 female denials and 50 male approvals.) We compared similar attributes of apparently marginally qualified denied female applicants to apparently marginally qualified approved male applicants. We did not find evidence of any differential treatment based on the sex of the applicant when applying for unsecured credit.

V. COMMUNITY DEVELOPMENT

DISCUSSION OF INSTITUTION'S PERFORMANCE

Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.

Management and Board members of MNB are aware of community development and redevelopment programs within their delineated area. The bank participates in these types of projects whenever opportunities arise. Matewan National Bank helps to develop the local community through direct extensions of credit that serve the entire delineated community.

In July 1996, the bank purchased 3 bonds issued by the Mingo County Board of Education. These three bonds total \$2.84 million dollars. In addition to these recent bond purchases, the bank has historically purchased bonds issued by municipalities located within their delineated area which may not necessarily attract the attention of larger financial institutions.

The MNB's President, Mr. Dan Moore, is on the Board of Directors of the Matewan Development Authority. The Authority has been actively involved in the historical restoration of the town of Matewan. Since the devastating fire that destroyed one fourth of the town, the Authority's efforts have been directed toward rebuilding the town.

As discussed previously, members of the Board and senior management are closely involved in virtually all community development organizations within their delineated area. These organizations include: the Matewan Development Authority; the Mingo County Area Development Corporation; Harts Community Development, Inc.; Partners in Development, Inc.; Southern Community Action, Inc.; and Gilbert Regional Partners in Development.

Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

The bank has shown an outstanding ability to meet the credit needs of its delineated community. Please refer to the Bank and Community Profile sections of this evaluation located on page three for details of the bank's size and financial condition; local economic conditions; etc.

Assessment Factor L - Any other factors that, in the regulatory authority's judgement, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

Management and the Board engage in other meaningful activities that bear upon the credit and non-credit needs of their delineated community as detailed below.

DISCUSSION OF INSTITUTION'S PERFORMANCE

- MNB, in conjunction with the Logan County Chamber of Commerce and the Logan County Board of Education, sponsors the High School Business Symposium. This symposium affords the opportunity for business leaders to address young entrepreneurs from Logan, Chapmanville, and Man High Schools.
- Management and employees of MNB also dedicate their time, efforts, and financial support to many educational projects with area schools. The bank works with elementary, junior high, and high schools teachers and counselors throughout the Tug and Guyandotte River valleys.
- Employees of the Kermit branch of MNB continue to sponsor the annual "Christmas for Kids" toy drive for underprivileged children in the area. The toys collected by bank employees are then distributed by local civic groups and charitable organizations.
- MNB has been instrumental in founding and maintaining a locally owned and operated newspaper in the town of Matewan.
- The Marketing Department sponsors and coordinates the annual "Kickoff Classic" which features 14 teams from the local area (three scrimmage games in Logan County and four in Mingo County). Thirteen of the schools are located within the delineated community. The games receive coverage from seven radio stations, four television stations, and six newspapers. Total attendance has averaged 10,000 spectators. The bank distributes "Kickoff Classic" T-shirts, sells refreshments, and contributes \$1,000.00 to the general fund of each of the participating schools. The proceeds, after expenses, are distributed among the participating schools.

ADDITIONAL INFORMATION

Matewan National Bank is a subsidiary of Matewan Bancshares, Inc.. This multi-bank holding company operates banks in West Virginia and Kentucky. Information regarding the Community Reinvestment Act (CRA) performance of the other subsidiary banks may be obtained by contacting the Compliance Officer of Matewan Bancshares, Inc. at P.O. Box 100, Second Avenue and Vinson Street, Williamson, West Virginia 25661.