



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

June 28, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Mountain Valley Bank, National Association
Charter Number 9610
317 Davis Avenue
Elkins, WV 26241**

**Comptroller of the Currency
Pittsburgh Field Office
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 “Satisfactory”.

The bank has met or exceeded the standards for performance in each of the areas evaluated. The primary factors supporting the bank’s rating are:

- The bank’s loan to deposit ratio of 65% is reasonable and similar to peer banks headquartered in the bank’s assessment area.
- A substantial majority of the bank’s primary loan products, business loans and residential 1st mortgages, are in the bank’s assessment area.
- The bank’s record of lending reflects a reasonable penetration of loans to businesses of different sizes, especially to small businesses, and to borrowers of different incomes, especially low- and moderate-income families.

DESCRIPTION OF INSTITUTION

Mountain Valley Bank NA (MVB) is an independent financial institution chartered in 1909 and headquartered in Elkins, West Virginia. In addition to the main office, MVB has three full service branches. The branches are located in Elkins, Mill Creek and Parsons, West Virginia. Each location offers extended lobby hours on Fridays until 6:00PM. The drive-ins in both of the Elkins offices and the Mill Creek office are open on Saturdays until noon. The bank has four ATMs. This includes two ATMs in Elkins, one at the Elkins branch and one at an off-site location, one at the Mill Creek Office, and one at the Parsons Office. In 2004, MVB added telephone banking services for all customers. Mountain Valley Bancshares, Inc., a \$90 million dollar holding company located in Elkins, West Virginia, owns MVB.

MVB offers a full range of loan and deposit services. The bank is primarily a business loan and residential real estate lender. As of March 31, 2005, \$56 million in net loans represented 62% of the bank’s total assets of \$90 million dollars. Business loans account for 47% of the loan portfolio, residential real estate loans represent 44%, and consumer loans stood at 9%. Of total residential real estate loans, 94% are 1st mortgages. In 2000, MVB added a First Time Homeowner Mortgage Program that provides special, flexible loan terms.

At the prior CRA examination for the period ended September 30,1999, MVB received a “Satisfactory” rating. There are no financial or legal circumstances impeding the bank’s ability to help meet the credit needs in its assessment area.

DESCRIPTION OF ASSESSMENT AREA

MVB's assessment area meets the requirements of CRA regulation. The bank's assessment area, a non-MSA area, consists of two contiguous counties, Randolph and Tucker Counties in West Virginia. The bank did not exclude any census tracts within these two counties. Within MVB's assessment area are ten middle-income census tracts. The bank's assessment area has no low-, moderate-, or upper-income tracts.

MVB's assessment area demographics reflect the 2000 HUD median family income was \$32,378. The updated 2004 HUD median family income was \$35,495. The 2000 US Census Bureau data reflects the assessment area population was 35,583 and was comprised of 9,825 families. Of these families, 19% are low-income, 19% are moderate-income, 23% are middle-income, and 39% are upper-income families. Of the total housing units in the assessment area, 78% are 1-4 family units, 5% are multifamily units and 17% are mobile homes or trailers. Owner-occupied housing units represent 60%, while 18% are rental units and 22% are vacant. The 2000 US Census Bureau data reflects 35% of the households are receiving social security and 4% are receiving public assistance.

Overall, the economic condition of MVB's assessment area is considered stable. Randolph County has experienced some growth in business and industry over the last several years, while Tucker County has had limited growth. In Randolph County, the largest employers are Armstrong Wood Products, Davis Health System, Randolph County Board of Education, West Virginia Department of Transportation & Highways, Aegis Communication Group, Wal-Mart, Davis & Elkins College, Appalachian Community Health Center, Elkins Mountain School, and Elkins Regional Convalescent Center. In Tucker County, the largest employers are the Tucker County Board of Education, Canaan Valley Resort, Cortland Acres Nursing Home, Alldredge Academy, Kingsford Manufacturing, West Virginia Paving, D&W Truck Lines, USDA Forest Service, Hinchcliff Lumber, Blackwaterfalls State Park, and Tucker County Government. In terms of the number of employers from an industry perspective, the service industry, retail trade and the construction industry are the predominant employers. Other industries impact the assessment area to a lesser extent.

Competition within MVB's assessment area is strong and consists principally of other banks, credit unions and mortgage companies, the latter of which are frequently non-local. In addition to MVB, there are four other community banks headquartered in the assessment area. Two other community banks each have one branch in the area, but are headquartered outside of the assessment area in West Virginia. A regional bank headquartered out of state has one branch in the assessment area.

The one community contact we performed indicated that the community's primary credit needs are residential mortgages and small business loans. The contact stated the area is fortunate to have the amount of financial institutions in the community and that all of them are very active and involved in the respective events and activities, doing whatever is needed. The contact believes that all of the local financial institutions headquartered in the assessment area are meeting the credit needs of the community.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

The evaluation period for this review is from October 1, 1999 through March 31, 2005 inclusive. Refer to the review results for each of the performance criteria below.

LOAN TO DEPOSIT RATIO

MVB's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs, and meets the standard for satisfactory performance. We reviewed the quarterly average loan-to-deposit ratios for the twenty-two quarters from October 1, 1999 through March 31, 2005 inclusive. We compared the bank's ratio with the four peer banks headquartered in the assessment area. During the evaluation period, MVB'S loan-to-deposit ratio averaged 64.94%, similar to the peer average of 64.98% during the same period.

LENDING IN THE ASSESSMENT AREA

A substantial majority of MVB's loans and other lending-related activities are in the bank's assessment area, and exceeds the standards for satisfactory performance. MVB is not required to gather business loan data and is not required to gather and report HMDA data. As a result, we sampled business loans and residential 1st mortgage loans originated during the evaluation period. Our analysis of business loans reflects 91% of the number of loans representing 89% of the dollars of loans are in the bank's assessment area. Our analysis of residential 1st mortgage loans reflects 95% of the number of loans representing 99% of the dollars of loans are in the bank's assessment area.

LENDING TO BUSINESSES OF DIFFERENT SIZES AND TO BORROWERS OF DIFFERENT INCOMES

Overall, given the demographics of the bank's assessment area, MVB meets the standards for satisfactory performance. MVB's distribution of loans reflects reasonable penetration to businesses of different sizes, especially loans to small businesses, and reasonable penetration to borrowers of different incomes, especially to low- and moderate-income families.

Businesses of Different Sizes

Business loans represent the largest loan type and account for 47% of the loan portfolio as previously noted. MVB is not required to collect business loan data. As a result, we sampled business loans originated during the evaluation period. Our sample reflects that 65% of the number of loans representing 39% of the dollars of loans are to small businesses with gross annual revenues of \$1 million dollars or less. Of the remaining sample of business loans, 35% of the number of loans representing 61% of the dollars of loans are to businesses with annual revenues in excess of \$1 million dollars.

Borrowers of Different Incomes

Residential mortgage loans represent the second largest loan type and are 44% of MVB's loan portfolio as previously noted. Of the total residential mortgages, 94% of these are 1st mortgages.

MVB is not required to gather and report HMDA data. As a result, we sampled residential 1st mortgage loans originated during the evaluation period. Our sample reflects 10% of the number and dollar of loans are to low-income families. The 2000 US Census data indicates the number of households with income below the poverty level is 18%. Households below the poverty level generally do not have the ability to purchase and maintain a home. This explains the fact that only 10% of the bank's residential 1st mortgage loans are to low-income families versus the census demographics that reflects 19% of the families are low-income. Our sample determined loans to moderate-income families are 24% of the number of loans representing 26% of the dollars of loans, ahead of the census demographics that reflect 19% are moderate-income families. The census demographics indicate 23% are middle-income families, and the sample determined that 33% of the number of loans representing 37% of the dollars of loans are to middle-income families. The sample reflects 33% of the number of loans and 27% of the dollars of loans are to upper-income families, versus the census demographics indicating 39% are upper-income families.

GEOGRAPHIC DISTRIBUTION

An analysis of the geographic distribution of loans was not performed, as it would not provide meaningful results. There are ten middle-income census tracts in the assessment area, and no low- or moderate-income census tracts as previously noted.

RESPONSES TO COMPLAINTS

MVB has not received any complaints about its performance in helping to meet the credit needs in the bank's assessment area.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

We found no evidence of illegal discrimination or other illegal credit practices. This is based on our review of consumer complaint information and our sample of residential mortgage and business loans. As a result, the OCC decided that a comprehensive Fair Lending examination would not need to be conducted in connection with this CRA evaluation.