

PUBLIC DISCLOSURE

June 4, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**McDowell County National Bank
Charter Number: 13512**

**Bank and Wyoming Streets
P. O. Box 549
Welch, West Virginia 24801**

**Office of the Comptroller of the Currency
Roanoke Duty Station
3800 Electric Road, Suite 204
Roanoke, Virginia 24018**

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 Community Reinvestment Act (CRA) performance of **McDowell County National Bank** prepared by **the Office of the Comptroller of the Currency**, the institution's supervisory agency, as of June 4, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**.

McDowell County National Bank has a satisfactory record of meeting the credit needs of its community, including the needs of low- and moderate-income individuals. This assessment is based on an appropriate level of loan originations, a high level of lending within the bank's assessment area and a reasonable level of lending to borrowers of different incomes and businesses of different sizes.

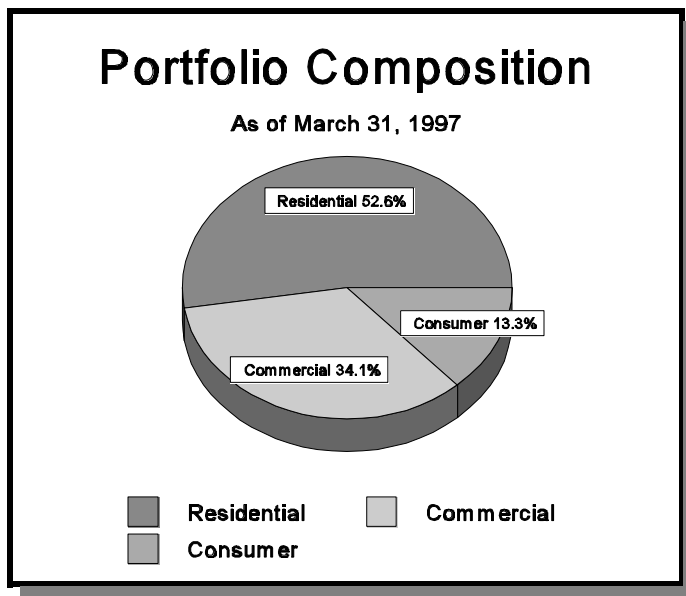
The following table indicates the performance level of **McDowell County National Bank** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>McDowell County National Bank</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints have been received since the last examination.		

DESCRIPTION OF INSTITUTION

McDowell County National Bank is a \$135 million institution in southern West Virginia. The bank has been open since 1930 and continues to serve the community with one full service banking office in downtown Welch. The bank also offers a convenient “minibank” which accepts deposits from customers.

To help meet the credit needs of its community, McDowell County National Bank offers a variety of banking products and services. These include “low doc” Small Business Administration loans, loans for residential, consumer, and commercial purposes, and government-sponsored student loans programs. The majority of the bank’s loans are residential real estate loans. The type and quantity of loans in the bank’s portfolio reflect positively on the bank’s efforts to meet the credit needs of its community. There are no financial or legal impediments restricting the lending activities of the bank. The following graph illustrates the composition of the bank’s loan portfolio.



DESCRIPTION OF THE ASSESSMENT AREA

McDowell County National Bank has defined its assessment area as the three contiguous southern West Virginia counties of McDowell, Wyoming and Mercer. The area has traditionally relied on coal mining as the major local employer. However, due to mechanization and a general decline in demand for coal, local employment in the

coal industry has declined substantially. Currently, major employers include the state education system, United States Steel, financial institutions, and (to a lesser degree) the coal mining industry. Unemployment in the area is high at 13%. Approximately 13% of the households in the area receive public assistance, 39% receive social security benefits and 25% are below poverty level. Due to these economic conditions, local officials constantly face the challenge of revitalizing the area.

The three county area includes 30 block numbering areas, of which 8 are moderate income, 20 are middle income, and 2 are upper income. There are 48,668 households in the area, for a total population of 129,203. The median family income for the area is \$26,600.

Discussions with bank officials and local community action organizations indicate community credit needs include small dollar consumer loans, flexible small business products and housing and rehabilitation loans. McDowell County National Bank is addressing these needs through existing products. Management entertains all credit requests and has not specified a minimum loan amount. They have made a concentrated effort to meet the credit needs of small businesses. Management offers a variety of mortgage loan products including Title I home improvement loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

LOAN TO DEPOSIT RATIO

Since the last CRA examination in May 1994, the bank's loan-to-deposit ratio has averaged **49.83%**. This ratio is lower than the national peer average of 63.17%. However, the ratio is comparable to the bank's local peer average of approximately 41.75%. This ratio is reasonable given the low level of loan demand in the area, poor economic conditions, and local competition. Area competitors include four small, independent banks.

CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA

A substantial majority of loans are originated within the bank's assessment area. Approximately 95% of the total number, and 86% of the dollar amount, of all loans generated during 1996 were originated within the bank's assessment area.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND BUSINESSES OF DIFFERENT SIZES

McDowell County National Bank has demonstrated a reasonable distribution of loans among borrowers of different income levels (including low- and moderate-income) and businesses of different sizes, particularly small businesses. The following chart illustrates the bank's lending to borrowers of different income levels during 1996 and is derived from a consumer loan sample.*

CONSUMER LOAN EXTENSIONS TO BORROWERS OF DIFFERENT INCOMES 12 MONTHS ENDING DECEMBER 31, 1996						
	#	% of Total	\$ (000's)	% of Total	Local Demographics (% of Families)	
					#	% of Total
Low-Income Individuals	33	16%	\$344	7%	9,502	26%
Moderate-Income Individuals	51	25%	\$865	18%	6,437	17%
Middle-Income Individuals	35	17%	\$753	16%	6,583	18%
Upper-Income Individuals	83	41%	\$2,878	59%	13,897	38%

* The consumer loan sample consisted of all residential real estate mortgages originated in 1996, as well as, a sample of automobile loans originated in 1996.

Based on the sample of the bank's consumer loans originated in 1996, 16% were extended to low-income individuals, 25% to moderate-income, 17% to middle-income, and 41% to upper-income borrowers. This distribution compares favorably with the demographics of the area, as 26% of the families are considered low income, 17% are moderate income, 18% are middle income and 38% are upper income.

McDowell County National Bank's commercial lending is targeted to small businesses. Virtually 100% of all commercial loans are made to businesses with less than \$1 million in annual revenues. In 1996, the bank originated 84 loans to small businesses totaling \$4,936M.

McDowell County National Bank has promoted local economic development by providing loans to finance several start-up businesses within the assessment area. In addition, the bank has provided financing for the construction of a one- to four-family housing project in the area.

GEOGRAPHIC DISTRIBUTION OF LOANS

McDowell County National Bank has a reasonable penetration of credit extensions throughout its assessment area. The bank's assessment area contains no low-income geographies, eight moderate-income geographies, twenty middle-income geographies, and two upper-income geographies. An analysis of the bank's consumer lending patterns indicates that loans are concentrated in McDowell County where the bank's office is located. This county contains six of the eight moderate-income geographies in the assessment area. Approximately 84% of the number of loans (and 91% of the dollar) originated in 1996 were extended to borrowers residing in moderate-income areas of McDowell County and 16% of the number (and 9% of the dollar) were extended to borrowers residing in middle-income areas of McDowell County. This distribution is reasonable considering the assessment area's composition (moderate income tracts - 27%, middle income tracts - 67%, and upper income tracts 7%).

REVIEW OF COMPLAINTS

The bank has received no CRA related complaints since the previous examination.

COMPLIANCE WITH ANTI-DISCRIMINATION LAWS

No violations of the substantive provisions of the anti-discrimination laws and regulations were noted.