

**PUBLIC DISCLOSURE**

May 21, 2007

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The Marathon Bank

1229228

4095 Valley Pike

Winchester, Virginia 22602

**Federal Reserve Bank of Richmond**

**P. O. Box 27622**

**Richmond, Virginia 23261**

**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.

**TABLE OF CONTENTS**

Institution Rating

|   |   |
|---|---|
| Institution's CRA Rating.....                   | 1 |
| Summary of Major Factors Supporting Rating..... | 1 |

Institution

|   |   |
|---|---|
| Description of Institution.....                       | 1 |
| Scope of Examination.....                             | 2 |
| Conclusions With Respect to Performance Criteria..... | 2 |

Full Review Assessment Area Conclusions

|                                   |   |
|-----------------------------------|---|
| Winchester Metropolitan Area..... | 5 |
|-----------------------------------|---|

Limited Review Assessment Area Conclusions

|   |    |
|---|----|
| Warren Metropolitan Area.....               | 9  |
| Shenandoah County Nonmetropolitan Area..... | 10 |

CRA Appendices

|   |    |
|---|----|
| CRA Appendix A: Scope of Examination..... | 11 |
| CRA Appendix B: Glossary.....             | 12 |

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

**The Lending Test is rated: Outstanding**

**The Community Development Test is rated: Satisfactory**

The major factors supporting this rating include:

- The bank's loan-to-deposit ratio is considered more than reasonable in relation to demand for credit in the assessment areas.
- A majority of the institution's reported Home Mortgage Disclosure Act (HMDA) and sampled motor vehicle loans were originated within the bank's assessment areas.
- Lending to borrowers of different income levels is considered excellent using various proxies for demand.
- The bank's geographic distribution performance varies from reasonable to excellent by product and is considered excellent overall.
- The bank has provided an adequate level of community development loans and services within the bank's market areas.
- There have been no complaints regarding the bank's CRA performance since the previous CRA evaluation.

**DESCRIPTION OF INSTITUTION**

The Marathon Bank is headquartered in Winchester, Virginia, and operates ten additional branch offices in northwestern Virginia. The bank is a wholly owned subsidiary of Premier Community Bankshares, a multi-bank holding company that also owns Premier Bank (Martinsburg, West Virginia) and Rockingham Heritage Bank (Harrisonburg, Virginia). In addition, Marathon Realty Investors, MBNY Holding, and Intrust Title & Escrow LLC are direct subsidiaries of The Marathon Bank. The bank received an outstanding rating at its prior CRA evaluation dated March 20, 2002.

As of March 31, 2007, the bank had total assets of \$450.6 million, of which 79.3% were loans and 3.9% were securities. Various deposit and loan products are available through the institution including loans for residential mortgage, consumer, and business purposes. The loan portfolio, as of March 31, 2007, was comprised of 58.9% commercial real estate, 25.8% one- to four-family residential real estate, 7.2% commercial and agriculture, 5.4% consumer, and 2.7% other loans.

The bank serves three contiguous assessment areas located in the Commonwealth of Virginia, which are detailed in the following table. Included in the table is the distribution of branch offices, along with deposit and loan volume. The deposit volume includes all bank deposits and is current as of June 30, 2006, while the loan volume includes all the HMDA and sampled consumer loans considered in the evaluation.

| Assessment Area Name         | County or City | Census Tracts | Branches | Deposit Volume (000s) |       | Loan Volume (000s) |       |
|------------------------------|----------------|---------------|----------|-----------------------|-------|--------------------|-------|
|                              |                |               |          |                       |       |                    |       |
| Winchester Metropolitan Area | Winchester     | All           | 7        | \$215,202             | 59.2% | \$28,605           | 61.9% |
|                              | Frederick      | All           |          |                       |       |                    |       |
| Warren Metropolitan Area     | Warren         | All           | 2        | \$68,228              | 18.8% | \$11,518           | 24.9% |
| Shenandoah County, VA        | Shenandoah     | All           | 2        | \$80,119              | 22%   | \$6,090            | 13.2% |
| Total                        |                |               | 11       | \$363,549             | 100%  | \$46,213           | 100%  |

Since the previous CRA evaluation, the bank has opened five new branch offices. Four were located in the City of Winchester and one was located in Shenandoah County, Virginia.

**SCOPE OF EXAMINATION**

The institution was evaluated using the interagency examination procedures developed by the Federal Financial Institutions Examination Council (FFIEC). This evaluation is based solely on the activities of The Marathon Bank and does not include any data or activity from the bank's affiliates or subsidiaries.

The bank is required to report certain information regarding its home mortgage lending in accordance with the HMDA. Accordingly, the bank's 2005 and 2006 HMDA loan originations were considered in the evaluation. Additionally, based on the institution's recent historical loan volume, consumer motor vehicle loans were identified as a primary credit product and were also considered in the evaluation. The analyses includes a sample of 160 consumer motor vehicle loans selected from a universe of 761 such loans extended during a recent 12-month period and 285 HMDA originations reported during 2005 and 2006. Qualified community development loans and services were also considered for activities from April 1, 2002, through May 21, 2007. All qualified investments outstanding as of the examination date were also considered regardless of when made.

Because of its relative size determined by concentration of lending and deposit activity, number of branch locations, and market population, the Winchester metropolitan assessment area was reviewed using full review evaluation procedures. The Warren and Shenandoah County assessment areas were evaluated using the limited review evaluation procedures.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

When evaluating lending performance for specific loan types, primary consideration is given to the number (and corresponding percentage) of transactions. The institution's overall rating is based on the performance of each loan category and primary consideration is given to the dollar volume each category contributes to the overall activity considered in the evaluation. The review of the bank's community development activities is based on the number and amount of community development loans, the extent to which the bank provides community development services, and its responsiveness to identified community development lending, investment, and service needs.

**Loan-To-Deposit Ratio**

As of March 31, 2007, the bank's loan-to-deposit ratio equaled 97% and averaged 92.1% for the 21-quarter period ending March 31, 2007. During the same time period, the average of quarterly loan-to-deposit ratios for all banks headquartered in metropolitan areas of Virginia and of similar asset size to The Marathon Bank ranged from 73.5% to 87.3%. Since December 31, 2001, loans, deposits, and assets have increased by 208%, 144.5%, and 175.3%, respectively. Based on its financial capacity, there are no significant limitations on the bank's ability to meet credit needs within the communities it serves. Given the institution's financial capacity and local market conditions, the loan-to-deposit ratio is considered more than reasonable.

**Lending in Assessment Area**

The following table includes all HMDA loan originations reported during 2005 and 2006 and the sample of 160 motor vehicle loans originated during 2006.

**Comparison of Credit Extended Inside and Outside of Assessment Area**

|                               | Inside Assessment Area | Outside Assessment Area | Total    |
|-------------------------------|------------------------|-------------------------|----------|
| Total Number of Loans         | 353                    | 92                      | 445      |
| Percentage of Total Loans     | 79.3%                  | 20.7%                   | 100%     |
| Total Amount of Loans (000's) | \$46,213               | \$13,791                | \$60,004 |
| Percentage of Total Amount    | 77%                    | 23%                     | 100%     |

As depicted above, a majority of the number (79.3%) and dollar amount (77%) of loans have been provided to residents of the bank's assessment areas. Overall, the percentage of loans made in the bank's assessment areas is considered responsive to community credit needs.

**Lending to Borrowers of Different Incomes**

Overall, the bank's level of lending to low- and moderate-income borrowers within the bank's assessment areas is considered excellent. Specifically, the performance for each product considered (residential mortgage and consumer motor vehicle loans) within each market area is excellent.

**Geographic Distribution of Loans**

There are no low-income census tracts within any of the three assessment areas. The Winchester metropolitan assessment area includes two moderate-income census tracts, while the entire Warren metropolitan assessment area is made up of moderate-income census tracts and the Shenandoah County assessment area includes only middle- and upper-income census tracts. Within the Winchester metropolitan assessment area, the bank's geographic distribution performance varies between reasonable and excellent by both loan product and year. Overall, the bank's geographic distribution performance is excellent.

**COMMUNITY DEVELOPMENT LOANS, INVESTMENTS, AND SERVICES**

Systems for delivering retail-banking services appear effective and are accessible to all portions of the assessment areas. The branch network includes 11 offices, of which four (36.4%) are located in moderate-income census tracts and seven (63.6%) are located in middle-income census tracts. Branch locations and business hours are considered convenient and meet the needs of the bank's assessment areas.

Since the previous evaluation, the bank has originated five loans totaling approximately \$3 million that provide for community development within two of the bank's three assessment areas. Bank employees provide technical assistance to organizations that facilitate community development services within two of the bank's assessment areas. The bank also offers a product mix that includes low-cost checking accounts that can benefit low- and moderate-income residents and small businesses. Additional discussions of the institution's community development lending activities and services are included within each applicable assessment area.

**FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

No credit practices inconsistent with the substantive provisions of the fair housing and fair lending laws and regulations were identified. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.

**METROPOLITAN AREAS**

(For metropolitan areas with some or all assessment areas reviewed using full-scope review)

**DESCRIPTION OF THE WINCHESTER METROPOLITAN ASSESSMENT AREA**

This assessment area contains a portion of the Winchester, VA-WV Metropolitan Statistical Area (MSA) and includes all of the City of Winchester and Frederick County, Virginia. According to 2000 census data, the assessment area has a population of 82,794 and a median housing value of \$113,427. The owner-occupancy rate for the market equals 65.8%, which is higher than the levels for both the commonwealth and the MSA of 63.3% and 63.8%, respectively. Within the assessment area, 5% of families are considered below the poverty level. This rate is lower than the rates for both the commonwealth (7%) and the MSA (6.6%). The 2006 HUD estimated median family income for the Winchester, VA-WV MSA equals \$58,400.

The following table provides demographic data for the assessment area by the income level of families, the type and distribution of housing units, and distribution of local businesses.

| Income Categories                      | Tract Distribution        |                                    | Families by Tract Income |                  | Families < Poverty Level as % of Families by Tract |                      | Families by Family Income |            |
|--|---------------------------|------------------------------------|--------------------------|------------------|--|----------------------|---------------------------|------------|
|  | #                         | %                                  | #                        | %                | #  | %                    | #                         | %          |
| Low-income                             | 0                         | 0                                  | 0                        | 0                | 0  | 0                    | 3,366                     | 15         |
| Moderate-income                        | 2                         | 12.5                               | 2,588                    | 11.5             | 353  | 13.6                 | 4,098                     | 18.3       |
| Middle-income                          | 10                        | 62.5                               | 15,862                   | 70.7             | 664  | 4.2                  | 5,250                     | 23.4       |
| Upper-income                           | 4                         | 25                                 | 3,991                    | 17.8             | 109  | 2.7                  | 9,727                     | 43.3       |
| <b>Total</b>                           | <b>16</b>                 | <b>100</b>                         | <b>22,441</b>            | <b>100</b>       | <b>1,126</b>                                       | <b>5</b>             | <b>22,441</b>             | <b>100</b> |
|  | Housing Units by Tract    | Housing Types by Tract             |                          |                  |  |                      |                           |            |
|  |                           | Owner-occupied                     |                          |                  | Rental   |                      | Vacant                    |            |
|  |                           | #                                  | %                        | %                | #  | %                    | #                         | %          |
| Low-income                             | 0                         | 0                                  | 0                        | 0                | 0  | 0                    | 0                         | 0          |
| Moderate-income                        | 4,706                     | 1,797                              | 8                        | 38.2             | 2,636  | 56                   | 273                       | 5.8        |
| Middle-income                          | 22,810                    | 16,529                             | 74                       | 72.5             | 5,118  | 22.4                 | 1,163                     | 5.1        |
| Upper-income                           | 6,390                     | 3,999                              | 17.9                     | 62.6             | 2,019  | 31.6                 | 372                       | 5.8        |
| <b>Total</b>                           | <b>33,906</b>             | <b>22,325</b>                      | <b>100</b>               | <b>65.8</b>      | <b>9,773</b>                                       | <b>28.8</b>          | <b>1,808</b>              | <b>5.3</b> |
|  | Total Businesses by Tract | Businesses by Tract & Revenue Size |                          |                  |  |                      |                           |            |
|  |                           | Less Than or = \$1 Million         |                          | Over \$1 Million |  | Revenue Not Reported |                           |            |
|  |                           | #                                  | %                        | #                | %  | #                    | %                         |            |
| Low-income                             | 0                         | 0                                  | 0                        | 0                | 0  | 0                    | 0                         | 0          |
| Moderate-income                        | 605                       | 17.4                               | 524                      | 17.1             | 51   | 16.2                 | 30                        | 28.6       |
| Middle-income                          | 2,031                     | 58.3                               | 1,790                    | 58.4             | 190  | 60.5                 | 51                        | 48.6       |
| Upper-income                           | 846                       | 24.3                               | 749                      | 24.5             | 73   | 23.2                 | 24                        | 22.9       |
| <b>Total</b>                           | <b>3,482</b>              | <b>100</b>                         | <b>3,063</b>             | <b>100</b>       | <b>314</b>   | <b>100</b>           | <b>105</b>                | <b>100</b> |
| <b>Percentage of Total Businesses:</b> |                           |                                    |                          | <b>88</b>        |  | <b>9</b>             |                           | <b>3</b>   |

The assessment area is located in the northwestern portion of Virginia. Major industries include healthcare and manufacturing of automotive components and clothing. The area's proximity to Northern Virginia and Washington D.C. has contributed to steady population growth, as many residents commute to areas around Washington, D.C. for work. As of April 2007, the unemployment rates for Frederick County (2.7%) and the City of Winchester (2.9%) were similar to the commonwealth's unemployment rate (2.9%).

A local government official was contacted to assist in evaluating the bank's CRA performance. The contact indicated that area credit needs were generally being met by local area financial institutions.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

Area demographic data and market aggregate information are used as proxies for demand when evaluating the bank's performance. Aggregate data used in this evaluation included all HMDA loans reported within the bank's assessment area. Demographic data are from the 2000 census and HMDA aggregate data are from calendar year 2005. The 2006 aggregate HMDA data is not yet available.

While HMDA loan data from calendar years 2005 and 2006 were analyzed and considered in the evaluation, unless otherwise noted, bank and aggregate data from 2005 is presented in the following tables. In instances where the performance during 2005 varies significantly from performance in 2006, such variances and the corresponding impact on the overall performance is discussed. Since the consumer loan performance was analyzed via a sample of activity from 2006, the consumer loan tables reflect the sampled data from 2006.

**LENDING TO BORROWERS OF DIFFERENT INCOMES**

Overall, the bank's lending distribution to borrowers of different incomes is considered excellent when using area demographic and aggregate data as proxies for demand.

**Distribution of HMDA Loans by Income Level of Borrower**

The bank reported a total of 60 HMDA loans within the assessment area during 2005. Of these transactions, seven loans did not contain income data and are not included in the analysis.

|                               | Low-<br>Income | Moderate-<br>Income | Middle-<br>Income | Upper-<br>Income | Total   |
|-------------------------------|----------------|---------------------|-------------------|------------------|---------|
| Total Number of Loans         | 8              | 18                  | 12                | 15               | 53      |
| Percentage of Total Loans     | 15.1%          | 34%                 | 22.6%             | 28.3%            | 100%    |
| Total Amount of Loans (000's) | \$249          | \$1,142             | \$413             | \$1,998          | \$3,802 |
| Percentage of Total Amount    | 6.5%           | 30%                 | 10.9%             | 52.6%            | 100%    |

The bank's level of lending to low- (15.1%) and moderate-income (34%) borrowers equals the proportion of area low-income families (15%) and exceeds the proportion of moderate-income families (18.3%). Additionally, the bank's performance exceeds the 2005 aggregate level of lending to low- and moderate-income borrowers, which equals 3.5% and 14.3%, respectively. The bank's provision of residential mortgage loans to low- and moderate-income borrowers is considered excellent and their performance during 2006 is substantially similar.



**Distribution of Motor Vehicle Loans by Income Level of Borrower**

The 2006 motor vehicle sample consisted of 46 loans within the assessment area. One loan did not contain income data and is excluded from the analysis.

|                               | Low-<br>Income | Moderate-<br>Income | Middle-<br>Income | Upper-<br>Income | Total |
|-------------------------------|----------------|---------------------|-------------------|------------------|-------|
| Total Number of Loans         | 10             | 16                  | 13                | 6                | 45    |
| Percentage of Total Loans     | 22.2%          | 35.6%               | 28.9%             | 13.3%            | 100%  |
| Total Amount of Loans (000's) | \$91           | \$164               | \$202             | \$92             | \$549 |
| Percentage of Total Amount    | 16.6%          | 29.9%               | 36.8%             | 16.7%            | 100%  |

Of the motor vehicle loans sampled during the evaluation, 22.2% were to low-income borrowers and 35.6% were to moderate-income borrowers. This level of lending substantially exceeds the percentage of low- and moderate-income families (15% and 18.3%, respectively) within the area and is considered excellent.

**GEOGRAPHIC DISTRIBUTION OF LOANS**

Overall, the geographic distribution of lending in the assessment area is considered excellent when using area demographic and HMDA aggregate data as proxies for demand. In reaching this conclusion more weight was placed on the bank's overall HMDA performance because of the larger volume of such lending by the bank within its assessment areas. During 2005 and 2006, the bank originated \$44.7 million of HMDA loans within the bank's combined assessment areas. During this same time period, it is estimated that the bank originated \$13 million in consumer motor vehicle loans within the bank's combined assessment areas. As previously indicated, the assessment area does not contain any low-income census tracts.

**Distribution of HMDA Loans by Income Level of Geography**

|                               | Moderate-<br>Income | Middle-<br>Income | Upper-<br>Income | Total   |
|-------------------------------|---------------------|-------------------|------------------|---------|
| Total Number of Loans         | 3                   | 52                | 5                | 60      |
| Percentage of Total Loans     | 5%                  | 86.7%             | 8.3%             | 100%    |
| Total Amount of Loans (000's) | \$102               | \$4,121           | \$644            | \$4,867 |
| Percentage of Total Amount    | 2.1%                | 84.7%             | 13.2%            | 100%    |

During 2005, 5% of the bank's HMDA loans were to residents of moderate-income census tracts. This level of lending is marginally reasonable when considering that 8% of all assessment area owner-occupied housing units are located in these tracts and that 7.6% of the aggregate reported loans were to borrowers residing in moderate-income tracts. The bank's performance improved during 2006 when 15.6% (10/64) of the bank's loans, which totaled approximately \$1.2 million, were made to moderate-income tract residents. When considering the bank's performance during the two-year period, more weight was placed on the bank's performance during 2006 because the dollar volume of lending to moderate-income was almost ten times that of the dollar volume during 2005 (\$1.2 million vs. \$102,000). Overall, the bank's residential mortgage geographic distribution performance is considered excellent.

Distribution of Motor Vehicle Loans by Income Level of Geography

|                               | Moderate-<br>Income | Middle-<br>Income | Upper-<br>Income | Total |
|-------------------------------|---------------------|-------------------|------------------|-------|
| Total Number of Loans         | 5                   | 35                | 6                | 46    |
| Percentage of Total Loans     | 10.9%               | 76.1%             | 13%              | 100%  |
| Total Amount of Loans (000's) | \$55                | \$431             | \$74             | \$560 |
| Percentage of Total Amount    | 9.8%                | 77%               | 13.2%            | 100%  |

Based on the sample of consumer motor vehicle loans, 10.9% of the bank's loans were to moderate-income tract residents. The bank's performance is reasonable when considering that 11.5% of area families reside in moderate-income census tracts.

**COMMUNITY DEVELOPMENT LOANS, INVESTMENTS, AND SERVICES**

Since the previous evaluation within this assessment area, the bank originated two loans totaling \$110,000 that were extended to two nonprofit affordable housing organizations. A bank officer also serves on the board of directors of a local community service organization that provides job training and employment opportunities to lower income residents with disabilities. The bank demonstrates an adequate level of responsiveness to local community development needs through its lending and support of area organizations that facilitate community development.

Delivery systems are accessible to all portions of the assessment area and branch hours are considered convenient. Two of the assessment area's seven branch offices are located in moderate-income census tracts.

**METROPOLITAN AREA**

*(For each metropolitan area where the assessment areas were not reviewed using the full review examination procedures)*

**DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE WARREN METROPOLITAN ASSESSMENT AREA**

The Marathon Bank's assessment area in Warren County, Virginia, which is a portion of the Washington-Arlington-Alexandria, DC-VA-MD-WV MSA, was reviewed using the limited review examination procedures. Information detailing the composition of the assessment area is included in the **DESCRIPTION OF INSTITUTION** section of this report.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN WARREN METROPOLITAN ASSESSMENT AREA**

The bank's distribution by borrower income performance in the Warren metropolitan assessment area is considered excellent. Since the assessment area includes only moderate-income census tracts, an analysis of the geographic distribution performance is not provided, as it would not be meaningful.

| Summary of Demographic and Aggregate Data              |       |                   |
|--|-------|-------------------|
|  |       |                   |
|  |       | % Low-Income      |
|  |       | % Moderate-Income |
| Families by Geography                                  |       | N/A               |
| Families < Poverty Level as % of Families by Geography |       | 6%                |
| Owner-Occupied Housing Units by Geography              |       | N/A               |
| Area Families by Income Level                          |       | 30.1%             |
| Aggregate HMDA Loans by Geography                      |       | N/A               |
| Aggregate HMDA Loans by Borrower Income                |       | 17.3%             |
| Area Businesses by Geography                           |       | N/A               |
| Area Businesses with Revenues ≤ \$1 million            | 90.7% |                   |

**Performance Test Data for Warren Metropolitan Assessment Area**

**LENDING TEST**

There are no low-, middle- or upper-income geographies in the assessment area.

| Loan Originations/Purchases |                          |      |                         |       |                              |       |
|-----------------------------|--------------------------|------|-------------------------|-------|------------------------------|-------|
|                             | In Moderate-Income Areas |      | To Low-Income Borrowers |       | To Moderate-Income Borrowers |       |
|                             | #                        | %    | #                       | %     | #                            | %     |
| HMDA                        | 31                       | 100% | 4                       | 21.1% | 9                            | 47.4% |
| Motor Vehicle               | 46                       | 100% | 23                      | 52.3% | 15                           | 34.1% |

**COMMUNITY DEVELOPMENT LOANS, INVESTMENTS, AND SERVICES**

Three community development loans totaling \$2.9 million have been extended within this assessment area. The three loans provide for job creation in the assessment area and were extended to businesses located within municipally designated enterprise zones.

**NONMETROPOLITAN AREA**

*(For each nonmetropolitan area where the assessment areas were not reviewed using the full review examination procedures)*

**DESCRIPTION OF INSTITUTION'S OPERATIONS IN SHENANDOAH COUNTY ASSESSMENT AREA**

The Marathon Bank's assessment area in the Shenandoah County assessment area was reviewed using the limited review examination procedures. Information detailing the composition of the assessment area is included in the **DESCRIPTION OF INSTITUTION** section of this report.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN SHENANDOAH COUNTY ASSESSMENT AREA**

The assessment area includes only five middle-income census tracts and three upper-income census tracts. There are no low- or moderate-income tracts within the assessment area.

| Summary of Demographic and Aggregate Data              |              |                   |
|--|--------------|-------------------|
|  | % Low-Income | % Moderate-Income |
| Families by Geography                                  | N/A          | N/A               |
| Families < Poverty Level as % of Families by Geography | N/A          | N/A               |
| Owner-Occupied Housing Units by Geography              | N/A          | N/A               |
| Area Families by Income Level                          | 11.8%        | 15.8%             |
| Aggregate HMDA Loans by Geography                      | N/A          | N/A               |
| Aggregate HMDA Loans by Borrower Income                | 2.4%         | 13.2%             |
| Area Businesses by Geography                           | N/A          | N/A               |
| Area Businesses with Revenues ≤ \$1 million            | 91.1%        |                   |

**Performance Test Data for Shenandoah County Assessment Area**

The bank's distribution by borrower income performance in the Shenandoah County assessment area is considered excellent overall, while the geographic distribution performance is considered reasonable.

**LENDING TEST**

|               | Loan Originations/Purchases |       |                              |       |
|---------------|-----------------------------|-------|------------------------------|-------|
|               | To Low-Income Borrowers     |       | To Moderate-Income Borrowers |       |
|               | #                           | %     | #                            | %     |
| HMDA          | 2                           | 11.1% | 3                            | 16.7% |
| Motor Vehicle | 12                          | 33.3% | 9                            | 25%   |

During 2005, 70% (14/20) of the bank's HMDA loans and 78.4% (29/37) of the sampled consumer motor vehicles were to residents of middle-income census tracts. These levels of lending represent a reasonable geographic distribution when considering that 66.1% of area owner-occupied housing units and 69.1% of area families are located in middle-income census tracts.

**COMMUNITY DEVELOPMENT LOANS, INVESTMENTS, AND SERVICES**

Within this assessment area, a bank officer provides financial technical assistance to a local Habitat for Humanity chapter.

CRA APPENDIX A

SCOPE OF EXAMINATION

| LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION |                     |  |
|--|---------------------|--|
| ASSESSMENT AREA                                  | TYPE OF EXAMINATION | BRANCHES VISITED                         |
| Winchester Metropolitan Assessment Area          | Full Review         | 4095 Valley Pike<br>Winchester, VA 22602 |
| Warren Metropolitan Assessment Area              | Limited Review      | None                                     |
| Shenandoah County Assessment Area                | Limited Review      | None                                     |

## CRA APPENDIX B

### GLOSSARY

**Aggregate lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Census tract:** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

**Consumer loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

**Full review:** Performance under the lending, investment and service tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity and responsiveness).

**Geography:** A census tract or a block numbering area delineated by the U.S. Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act ("HMDA"):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include data such as race, gender and income of applications, amount of loan requested, and disposition of the application (for example, approved, denied, and withdrawn).

**Home mortgage loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited review:** Performance under the lending, investment and service tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Metropolitan area ("MA"):** Any primary metropolitan statistical area ("PMSA"), metropolitan statistical area ("MSA") or consolidated metropolitan statistical area ("CMSA") as defined by the Office of Management and Budget, with a population of 250 thousand or more, and any other area designated as such by the appropriate federal financial supervisory agency.

**Middle-income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-occupied units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified investment:** A qualified investment is defined as any lawful investment, deposit, membership share or grant that has as its primary purpose community development.

**Rated area:** A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

**Small loan(s) to business(es):** A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income ("Call Report") and the Thrift Financial Reporting ("TFR") instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

**Small loan(s) to farm(s):** A loan included in "loans to small farms" as defined in the instructions for preparation of the Call Report. These loans have original amounts of \$500 thousand or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Upper-income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.