PUBLIC DISCLOSURE

June 3, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

BCBank, Inc.

829032

107 Pike Street

Philippi, West Virginia 26416

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.

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COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

The major factors supporting this rating include:

- The bank's loan-to-deposit ratio is considered reasonable in relation to the banks capacity, location, and demand for credit in the assessment area.
- A majority of the institution's small business and consumer auto loans were originated within the bank's assessment area.
- Lending to borrowers of different income levels and businesses with revenues of $1 million or less is considered excellent overall when considering the various proxies for demand.
- The bank's geographic distribution of lending is considered reasonable.
- The institution has not received any complaints regarding its Community Reinvestment Act (CRA) performance since the previous evaluation.

SCOPE OF EXAMINATION

BCBank, Inc. (BCB) was evaluated using the interagency examination procedures developed by the Federal Financial Institutions Examination Council (FFIEC). Based on the institution's recent historical loan volume, consumer auto loans and small business loans were identified as primary credit products to be considered in the evaluation. The analysis included all 81 auto consumer loans and all 67 small business loans extended during 2011.

DESCRIPTION OF INSTITUTION

BCB is headquartered in Philippi, West Virginia, and operates two branch offices in Harrison and Marion Counties, West Virginia in addition to its main office in Barbour County, West Virginia. BCB is a wholly owned subsidiary of Appalachian Financial Corporation, a single-bank holding company and the bank has no affiliates or subsidiaries. BCB has not opened or closed any branches since the previous evaluation. The institution's previous CRA rating, dated April 13, 2009, was Satisfactory. No known legal impediments exist that would prevent the bank from meeting the credit needs of its assessment area.

As of March 31, 2013, the bank reported assets totaling $110 million, of which 49.5% were net loans and 29.7% were securities. Various deposit and loan products are available through the institution, including loans for residential mortgage, consumer, and business purposes. The composition of the loan portfolio (using gross loans) as of March 31, 2013, is represented in the table on the following page:

Composition of Loan Portfolio

Loan Type	3/31/2013	
	$(000s)	%
Secured by 1-4 Family dwellings	11,600	21.0
Multifamily	0	0.0
Construction and Development	2,365	4.3
Commercial & Industrial/ NonFarm NonResidential	36,906	66.6
Consumer Loans and Credit Cards	2,999	5.4
Agricultural Loans/ Farmland	704	1.3
All Other	780	1.4
Total	***55,354***	***100.0***

As reflected in the preceding table, commercial and industrial/nonfarm nonresidential loans is the largest loan category within the bank's loan portfolio. The composition of the portfolio is consistent with the number of new loans recently extended by the bank, and consequently led to the selection of small business lending for consideration in the evaluation. Recent lending volume also indicates that consumer lending accounted for the greatest number of new loans extended within a recent twelve month period. Consequently, consumer auto secured loans was selected as an additional product for inclusion in the evaluation.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN BARBOUR COUNTY, WV NONMSA ASSESSMENT AREA

The assessment area is located in the rural north central portion of West Virginia and includes all of Barbour, Harrison, and Marion Counties, West Virginia. The bank operates three branches, and as of June 2012, ranked seventh out of 15 institutions in local deposit market share having 4.4% of the assessment area's available FDIC insured deposits (credit unions deposits are not reflected in the deposit market share). There are no low-income census tracts within the assessment.

Based on 2000 census data, the market has a population of 140,807 and a median housing value of $61,632. The owner-occupancy rate for the assessment area is 66.5%, which is comparable to the rates for the State of West Virginia (65.6%) and the non-metropolitan areas of West Virginia (65.6%). Within the assessment area, 13.4%% of families are below the poverty level, which is lower than the rates for both the State of West Virginia (13.9%) and the non-metropolitan areas of West Virginia (16.4%). The 2011 adjusted median family income for the nonmetropolitan areas of West Virginia equal $44,800.

The following table includes pertinent demographic data for the assessment area.

Assessment Area Demographics

Barbour County, WV NonMetro (Based on 2000 Census Boundaries and 2011 D&B information)								
Income Categories*	Tract Distribution		Families by Tract		Families < Poverty as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	6,990	17.8
Moderate	3	7.1	1,363	3.5	357	26.2	6,402	16.3
Middle	28	66.7	27,255	69.5	4,141	15.2	7,777	19.8
Upper	11	26.2	10,592	27.0	762	7.2	18,041	46.0
NA	0	0.0	0	0.0	0	0.0		
Total	*42*	*100.0*	*39,210*	*100.0*	*5,260*	*13.4*	*39,210*	*100.0*
	Owner Occupied Units by Tract		Households					
			HHs by Tract		HHs < Poverty by Tract		HHs by HH Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	12,494	21.7
Moderate	1,179	2.7	2,946	5.1	1,003	34.0	8,887	15.4
Middle	29,985	69.2	39,399	68.3	7,270	18.5	9,670	16.8
Upper	12,146	28.0	15,333	26.6	1,583	10.3	26,627	46.2
NA	0	0.0	0	0.0	0	0.0		
Total	*43,310*	*100.0*	*57,678*	*100.0*	*9,856*	*17.1*	*57,678*	*100.0*
	Total Businesses by Tract		Businesses by Tract and Revenue Size					
			Less than or = $1 Million		Over $1 Million		Revenue not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	658	9.8	580	9.7	50	12.1	28	8.2
Middle	3,613	53.7	3,232	54.1	181	43.9	200	58.8
Upper	2,460	36.5	2,167	36.2	181	43.9	112	32.9
NA	0	0.0	0	0.0	0	0.0	0	0.0
Total	*6,731*	*100.0*	*5,979*	*100.0*	*412*	*100.0*	*340*	*100.0*
Percentage of Total Businesses:				88.8		6.1		5.1

**NA-Tracts without household or family income as applicable*

According to data published by the FFIEC, four middle-income census tracts within the assessment area have been designated as distressed. The distressed middle-income census tracts are located within Barbour County and receive this designation due to comparatively high area poverty rates.

The local economy is based largely on educational and healthcare industries. The largest employers include Alderson-Broaddus College, Broaddus Hospital, and Veterans Administration Hospital. Biannual unemployment rates since June 2009 are included in the table on the following page.

County/City	Unemployment Rates							
	Jun-2009	Dec-2009	Jun-2010	Dec-2010	Jun-2011	Dec-2011	Jun-2012	Dec-2012
Barbour County	9.2%	9.5%	9.8%	9.8%	9.5%	8.4%	8.1%	7.9%
Harrison County	6.9%	7%	7%	7.3%	7.1%	6.5%	6.6%	6.3%
Marion County	6.7%	6.3%	7.2%	6.8%	7.2%	6.1%	6.8%	6.3%
West Virginia	8.2%	8.1%	8.3%	8.2%	8.1%	7.1%	7.6%	7.3%

Area unemployment rates have generally trended downward during the period reflected in the table. Though rates within the assessment area had risen to higher levels during the early stages of the economic recession, employment opportunities are currently improving as indicated by the decreasing unemployment rate trend.

A local economic development official was contacted to assist in evaluating the bank's CRA performance. The contact expressed the need for affordable home financing within the area, as many consumers in the community may be creditworthy but lack money for down payment. The contact further noted that despite the challenging local economic environments, the area financial institutions are reasonably serving the credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Performance under the lending test considers the bank's loan-to-deposit ratio, level of lending in the bank's assessment area, and performance for both borrower and geographic distribution of lending. Relevant area demographic data from the 2000 census, small business aggregate lending data from 2011, and Dun & Bradstreet (D&B) business demographic data from 2011 are used as proxies for demand when evaluating the bank's lending performance. The bank is not required to collect or report data about its small business lending; nonetheless, aggregate data for lenders that are required to report such lending is one measure of demand and the small business analysis tables include bank aggregate data from 2011.

Within the bank's assessment area, a high volume of small business lending activity has been reported by specialized lenders who often originate small business loans in the form of credit cards. These loans, however, tend to be much smaller in size than traditional small business bank loans, and substantial majority of such loans do not have revenue data reported. The presence of these lenders is reflected in a smaller market share for traditional lenders and tends to understate the percentage of aggregate lending to businesses with annual revenues of $1 million or less. These factors were considered as an aspect of performance context when evaluating the level and distribution of small business lending.

When evaluating both the geographic and the borrower distribution of loans, primary consideration is given to the number (and corresponding percentage) of loans when assessing performance for individual loan types. When combining the assessment of multiple loan products to arrive at an overall conclusion, the level of performance of each product is weighted primarily by the dollar volume that the product contributes to the overall activity considered in the evaluation. As a result, small business lending is accorded more weight than the bank's consumer motor vehicle lending.

Loan-To-Deposit Ratio

As of March 31, 2013, the institution's loan-to-deposit ratio equaled 56.1% and averaged 63.5% for a 16-quarter period ending March 31, 2013. In comparison, the average of quarterly loan-to-deposit ratios for all banks headquartered in nonmetropolitan areas of West Virginia and of similar asset size to BCB ranged from 50.8% to 62.4% for a 16-quarter period ending March 31, 2013. Overall, the bank's loan-to-deposit ratio is considered reasonable given the institution's size, financial condition, and local credit needs.

Lending In Assessment Area

To determine the institution's volume of lending within its assessment area, the geographic location of small business and consumer auto secured loans were considered. The lending distribution inside and outside of the bank's assessment area is reflected in the following table.

Comparison of Credit Extended Inside and Outside of Assessment Area(s)

Loan Type	Inside				Outside			
	#	%	$(000)	%	#	%	$(000)	%
Consumer	64	79.0	422	76.6	17	21.0	129	23.4
Small Business	46	68.7	4,054	69.2	21	31.3	1,801	30.8
TOTAL LOANS	**110**	**74.3**	**4,476**	**69.9**	**38**	**25.7**	**1,930**	**30.1**

A majority of the number (74.3%) and dollar amount (69.9%) of small business and consumer auto-secured loans were extended to borrowers located in the bank's assessment area. The institution's level of lending within its assessment area is considered responsive to community credit needs.

Lending to Borrowers of Different Incomes and To Businesses of Different Sizes

The distribution of loans to borrowers of different income/revenue levels is considered excellent overall.

Distribution of Lending by Loan Amount and Size of Business

Barbour County, WV NonMetro (2011)								
	Bank				Aggregate*			
by Revenue	#	%	$(000s)	% $	#	%	$(000s)	% $
$1 Million or Less	35	76.1	2,614	64.5	476	37.6	28,778	37.0
Over $1 Million	11	23.9	1,440	35.5	NA	NA	NA	NA
Unknown	*0*	*0.0*	*0*	*0.0*	NA	NA	NA	NA
by Loan Size								
$100,000 or less	37	80.4	1,333	32.9	1,111	87.7	16,306	21.0
$100,001-$250,000	5	10.9	765	18.9	63	5.0	11,078	14.3
$250,001-$1 Million	4	8.7	1,957	48.3	93	7.3	50,353	64.7
Total	***46***	***100.0***	***4,054***	***100.0***	***1,267***	***100.0***	***77,737***	***100.0***

** No data is available for Aggregate loans with Revenues over $1 million and those with Unknown revenues*

D&B data indicates that 88.8% of all local businesses have revenues that do not exceed $1 million per year. According to 2011 aggregate small business data, 37.6% of reported loans were to businesses with annual revenues of $1 million or less. The remaining loans were to businesses with revenues in excess of $1 million per year or revenues were not known. As an element of performance context, lending by a group of traditional bank lenders, which excludes credit card specialty lenders, was considered. Such lenders originated 48.5% of reported small business loans in the assessment area to businesses with annual revenues of $1 million or less. Overall, 76.1% of BCB's small business loans were to businesses with annual revenues of $1 million or less. This level of lending is considered excellent.

Distribution of Consumer Loans by Income Level of Borrower

Barbour County, WV NonMetro				
Income Categories	Consumer Loans			
	#	%	$(000s)	% $
Low	24	37.5	140	33.2
Moderate	15	23.4	105	24.9
Middle	9	14.1	48	11.4
Upper	16	25.0	129	30.5
Total	***64***	***100.0***	***422***	***100.0***
Unknown	*0*		*0*	

Percentage's (%) are calculated on all loans where incomes are known

The bank's level of consumer lending to low-income borrowers (37.5%) significantly exceeds the proportion of low-income households in the assessment area (21.7 %). The institution's lending to moderate-income borrowers (23.4%) also exceeds the percentage of moderate-income households living in the assessment area (15.4 %). Overall, the bank's performance is considered excellent.

Geographic Distribution of Loans

There are no low-income census tracts in the assessment area. The bank's geographic distribution of lending within the assessment for consumer auto-secured and small business loans ranges from poor to excellent, but overall is considered reasonable.

Distribution of Small Business Loans by Income Level of Census Tract

Barbour County, WV NonMetro (2011)								
Income Categories	Bank				Aggregate			
	#	%	$(000s)	% $	#	%	$(000s)	% $
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	6	13.0	522	12.9	83	7.2	5,582	7.5
Middle	30	65.2	2,151	53.1	566	49.1	32,857	44.1
Upper	10	21.8	1,381	34.0	503	43.7	36,114	48.4
*NA**	*NA*	*NA*	*NA*	*NA*	*NA*	*NA*	NA	*NA*
Total	***46***	***100.0***	***4,054***	***100.0***	***1,152***	***100.0***	***74,553***	***100.0***

**NA-Tracts without household or family income as applicable*
Loans where the geographic location is unknown are excluded from this table.

The bank's level of small business lending in moderate-income census tracts (13%) significantly exceeds the percentage of area businesses located in such areas (9.8%) and the aggregate lending level (7.2%). BCB's small business lending distribution by income level of census tract is considered excellent.

Distribution of Consumer Loans by Income Level of Census Tract

Barbour County, WV NonMetro				
Income Categories	Consumer Loans			
	#	%	$(000s)	% $
Low	NA	NA	NA	NA
Moderate	1	1.6	8	2.0
Middle	58	90.6	395	93.7
Upper	5	7.8	18	4.3
*NA**	*0*	*0.0*	*0*	*0.0*
Total	***64***	***100.0***	***422***	***100.0***

**NA-Tracts without household or family income as applicable*
Loans where the geographic location is unknown are excluded from this table.

The bank's level of consumer lending in moderate-income census tracts (1.6%) lags the percentage of households in moderate-income census tracts (5.1%). The bank's 2011 performance is considered poor.

Overall, the bank's level of lending in moderate-income census tracts is considered reasonable. In reaching this conclusion, a much greater weight was given to the small business lending due to the higher dollar volume.

Fair Lending or Other Illegal Credit Practices Review

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.

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: All Agencies have adopted the following language. 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.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

(i) Low-or moderate-income geographies;

(ii) Designated disaster areas; or

(iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-

a. Rates of poverty, unemployment, and population loss; or
b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

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-scope review: Performance under the Lending Test (and if applicable, consideration of investments and services) 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 delineated by the United States 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 such data as the race, gender, and the income of applications, the amount of loan requested, and the 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-scope review: Performance under the Lending Test (and if applicable, consideration of investments and services) 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): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

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 Consolidated Report of Condition and Income (Call Report). These loans have original amounts of $500,000 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.