

PUBLIC DISCLOSURE

October 23, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Traders Bank

13037

303 Main Street

Spencer, West Virginia 25276

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 given the bank's capacity, location, and demand for credit in the assessment areas.
- A substantial majority of the institution's consumer loans that were sampled during the evaluation were originated within the bank's assessment areas.
- The distribution of lending by borrower income is considered excellent when considering area demographic data.
- When considering overall demand, limited lending opportunities, and high poverty rates, the distribution by income level of geography is considered marginally adequate.
- There have been no complaints regarding the bank's CRA performance since the previous evaluation.

DESCRIPTION OF INSTITUTION

Traders Bank is headquartered in Spencer, West Virginia, and operates two other full-service branch offices in Ripley and Mineral Wells, West Virginia. The bank is a wholly-owned subsidiary of Traders Bankshares, Inc., a single-bank holding company, also located in Spencer, West Virginia. Traders Bank has not opened or closed any branches since the previous evaluation.

As of September 30, 2006, the bank reported assets totaling \$103.6 million, of which 46.4% were loans. The institution offers a variety of credit and deposit products including loans for business, consumer, and residential mortgage purposes. The loan portfolio, as of September 30, 2006, was comprised of 42.7% one- to four-family residential real estate secured, 26% commercial, 22.3% commercial real estate secured, and 9% consumer loans. The institution's previous CRA rating, dated October 21, 2002, was Satisfactory.

Traders Bank serves two contiguous assessment areas located in the north-central portion of West Virginia. The bank's primary assessment area includes all of Jackson, Calhoun, and Roane Counties, which are located in a nonmetropolitan area of the state. The bank's second assessment area includes all of Wirt and Wood Counties, West Virginia, and is part of the Parkersburg-Marietta, WV-OH Metropolitan Statistical Area (MSA). The assessment areas are described in greater detail in subsequent sections of the evaluation.

SCOPE OF EXAMINATION

Traders Bank is required to report certain information regarding its home mortgage lending in accordance with the Home Mortgage Disclosure Act (HMDA). During 2005, the bank originated only 43 reportable residential mortgage loans; however, the bank was not required to provide geographic data on over 75% of these loans. Because of limited volume and incomplete geographic information, these 43 loans were not considered in the evaluation. Based on the number of new loans originated during a recent 12-month period, consumer loans were identified as the primary credit product, and a sample of 118 consumer loans was considered in the evaluation. The sample includes both consumer unsecured and motor vehicle secured loans selected from a universe of approximately 318 such loans extended during a recent 12-month period.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-To-Deposit Ratio

A bank's loan-to-deposit ratio is one measure of its lending relative to its capacity. The institution's loan-to-deposit ratio, as of September 30, 2006, equaled 52.7% and averaged 75.5% for the 16-quarter period ending September 30, 2006. 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 Traders Bank ranged from 71.6% to 75.6% during the same time period. From September 30, 2002, through September 30, 2006, the bank's assets, loans, and deposits have declined by 18.9%, 52.7%, and 18.1%, respectively. The recent decline in loans, and thus in the loan-to-deposit ratio, is primarily a result of constraints on the bank's lending capacity. Overall, the bank's loan-to-deposit ratio is considered reasonable given the institution's size and current financial capacity as well as the economic condition of local markets.

Lending In Assessment Areas

To determine the institution's volume of lending within its assessment areas, a sample of 118 consumer loans was reviewed. The lending distribution is represented in the following table for the assessment areas on a combined basis.

Comparison of Credit Extended Inside and Outside of Assessment Areas

	Inside Assessment Area	Outside Assessment Area	Total
Total Number of Loans	110	8	118
Percentage of Total Loans	93.2%	6.8%	100%
Total Amount of Loans (000's)	\$983	\$75	\$1,058
Percentage of Total Amount	92.9%	7.1%	100%

As illustrated in the preceding chart, a substantial majority of the number (93.2%) and dollar amount (92.9%) of loans were provided to borrowers located in the bank's assessment areas. The institution's level of lending within its assessment areas is considered highly responsive to community credit needs.

LENDING TO BORROWERS OF DIFFERENT INCOMES

Based on the sample of consumer loans considered in the evaluation, the bank's provision of loans to area low- and moderate-income borrowers is excellent when considering pertinent demographic and market data as proxies for demand. Detailed analyses of consumer lending for the review period are discussed in greater detail later in the report for each assessment area.

GEOGRAPHIC DISTRIBUTION OF LOANS

There are no low-income census tracts within either of the bank's two assessment areas. The Jackson, Calhoun, and Roane Counties assessment area has only one moderate-income census tract, while the Wirt and Wood Counties assessment area has six moderate-income census tracts. Overall, the bank's combined level of lending in these areas is marginally adequate when considering area demographic and market data as proxies for demand. Detailed analyses of consumer lending for the review period are discussed in greater detail later in the report for each 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.

DESCRIPTION OF JACKSON, CALHOUN, and ROANE COUNTIES ASSESSMENT AREA

The bank operates two offices within this assessment area, located in the Cities of Spencer and Ripley, West Virginia. According to the 2000 census data, the assessment area has a population of 51,028 and a median housing value of \$63,635. The owner-occupancy rate for the market is 68.8%, which is higher than the rates for nonmetropolitan areas of West Virginia and the statewide rate, which both equal 65.6%. The percentage of families living below the poverty level in the assessment area (14.9%) exceeds the rate for the state (13.9%) and is somewhat less than the nonmetropolitan areas of West Virginia (16.4%). The 2006 median family income for the nonmetropolitan areas of West Virginia equals \$41,600.

The following table provides demographic information for the assessment area by the income level of families and the percentage of area families living in census tracts of varying income levels. The table also includes the distribution of owner-occupied housing by census tract income level and Dun & Bradstreet (D&B) business data.

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	2,968	19.9
Moderate-income	1	8.3	1,197	8.0	222	18.5	2,637	17.6
Middle-income	9	75.0	11,805	79.1	1,814	15.4	3,064	20.5
Upper-income	2	16.7	1,931	12.9	195	10.1	6,264	41.9
Total	12	100	14,933	100	2,231	44.0	14,933	100
	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied		Rental		Vacant		
		#	%	#	%	#	%	
Low-income	0	0	0	0	0	0	0	0
Moderate-income	1,947	1,268	7.9	65.1	320	16.4	359	18.4
Middle-income	18,792	12,779	79.2	68.0	3,455	18.4	2,558	13.6
Upper-income	2,714	2,082	12.9	76.7	389	14.3	243	9.0
Total	23,453	16,129	100	68.8	4,164	17.8	3,160	13.5
	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	43	3.4	38	3.5	2	1.9	3	4.9
Middle-income	1,116	89.6	970	89.9	92	87.6	54	88.5
Upper-income	86	6.9	71	6.6	11	10.5	4	6.6
Total	1,245	100	1,079	100	105	100	61	100
Percentage of Total Businesses:				86.7		8.4		4.9

As mentioned previously, Jackson, Calhoun, and Roane Counties comprise a rural community located in the north-central portion of West Virginia. The local economy is primarily dependent on small manufacturing companies, forestry, education, municipal services, and health care facilities. Major area employers include the county boards of education, Roane General Hospital, Wal-Mart Stores, Alcan Rolled Products (aluminum fabrication), Minnie Hamilton Healthcare Center, and Jackson General Hospital. Many residents commute to the Cities of Parkersburg or Charleston for employment. As of September 2006, the unemployment rates in Jackson, Roane, and Calhoun Counties were 4.6%, 5.6%, and 5.9%, respectively, while the rate in West Virginia was 4.7%.

Five of the assessment area's nine middle-income census tracts have been designated by the Federal Financial Institutions Examination Council as being underserved and/or distressed during calendar year 2006. The underserved designation reflects a low population density that is also distant from a population center. Such areas often lack certain essential community services. All four census tracts within Roane County have been designated as underserved. The fifth underserved middle-income tract is located in Calhoun County and has also been designated as being distressed because of high rates of poverty and unemployment.

A local economic development official was contacted during the examination to discuss area economic conditions and credit needs. The contact indicated that local financial institutions are adequately serving the credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LENDING TO BORROWERS OF DIFFERENT INCOMES

Distribution of Consumer Loans by Income Level of Borrower

Of the 82 sampled loans within the assessment area, one did not include borrower income data and was not included in the following table.

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	27	27	14	13	81
Percentage of Total Loans	33.3%	33.3%	17.3%	16.1%	100%
Total Amount of Loans (000's)	\$137	\$186	\$133	\$136	\$592
Percentage of Total Amount	23.1%	31.4%	22.5%	23%	100%

The percentage of the bank's consumer loans to low-income (33.3%) and moderate-income (33.3%) borrowers substantially exceeds the proportion of area low-income (19.9%) and moderate-income (17.6%) families. This level of lending is considered excellent.

GEOGRAPHIC DISTRIBUTION OF LOANS

Distribution of Consumer Loans by Income Level of Geography

	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	0	77	5	82
Percentage of Total Loans	0%	93.9%	6.1%	100%
Total Amount of Loans (000's)	\$0	\$563	\$31	\$594
Percentage of Total Amount	0%	94.8%	5.2%	100%

As previously noted, the assessment area does not contain any low-income census tracts and only one moderate-income tract. The bank's Spencer office is located 10 miles west of the moderate-income census tract, while the Ripley office is located approximately 30 miles west of the moderate-income tract. While Traders Bank did not extend any of the sampled consumer loans in the one moderate-income tract, only 8.3% of families in the assessment area reside in this tract and 18.5% of them are impoverished. Despite limited lending opportunities in moderate-income census tracts, the bank's performance is considered poor.

DESCRIPTION OF WIRT AND WOOD COUNTIES ASSESSMENT AREA

The bank operates one office in this assessment area, which is part of the Parkersburg-Marietta, WV-OH MSA. According to the 2000 census data, the assessment area has a population of 93,859 and a median housing value of \$73,302. The owner-occupancy rate for the market is 66.3%, which is higher than the rate for the state (65.6%) but lower than the MSA (67.6%). The percentage of families living below the poverty level in the assessment area (11%) is lower than the state level of 13.9% but higher than the MSA level of 10.1%. The 2006 median family income for the Parkersburg-Marietta, WV-OH MSA equals \$49,900.

The following table provides demographic information for the assessment area by the income level of families and the percentage of area families living in census tracts of varying income levels. The table also includes the distribution of owner-occupied housing by census tract income level and D&B business data.

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	5,261	19.7
Moderate-income	6	21.4	3,042	11.4	637	20.9	5,075	19.0
Middle-income	18	64.3	19,749	73.9	2,101	10.6	5,962	22.3
Upper-income	4	14.3	3,936	14.7	198	5.0	10,429	39.0
Total	28	100	26,727	100	2,936	11.0	26,727	100
	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied		Rental		Vacant		
	#	#	%	%	#	%	#	%
Low-income	0	0	0	0	0	0	0	0
Moderate-income	6,414	2,969	10.4	46.3	2,629	41.0	816	12.7
Middle-income	31,118	21,199	74.3	68.1	6,610	21.2	3,309	10.6
Upper-income	5,519	4,352	15.3	78.9	800	14.5	367	6.6
Total	43,051	28,520	100	66.3	10,039	23.3	4,492	10.4
	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	830	28.1	733	28.1	72	30.0	25	24.3
Middle-income	1,774	60.1	1,568	60.1	142	59.2	64	62.1
Upper-income	348	11.8	308	11.8	26	10.8	14	13.6
Total	2,952	100	2,609	100	240	100	103	100
Percentage of Total Businesses:				88.4		8.1		3.5

Although Wirt and Wood Counties are part of the Parkersburg-Marietta, WV-OH MSA, the area retains many rural characteristics, and a majority of the area's residents commute to surrounding communities, primarily the City of Parkersburg, for employment opportunities. Primary employers include local municipalities, the United States Department of the Treasury, West Virginia Department of Highways, E. I. du Pont de Nemours (automotive parts manufacturing), Coldwater Creek (distribution center), and several local healthcare facilities. The unemployment rates for Wirt and Wood Counties, as of September 2006, equaled 5.4% and 5%, respectively, while the statewide rate was 4.7%.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LENDING TO BORROWERS OF DIFFERENT INCOMES

Distribution of Consumer Loans by Income Level of Borrower

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	10	8	2	8	28
Percentage of Total Loans	35.7%	28.6%	7.1%	28.6%	100%
Total Amount of Loans (000's)	\$41	\$103	\$38	\$207	\$389
Percentage of Total Amount	10.5%	26.5%	9.8%	53.2%	100%

The proportion of consumer loans to low- (35.7%) and moderate-income (28.6%) borrowers substantially exceeds the percentage of such families within the assessment area (19.7% and 19%, respectively). The bank's level of lending to low- and moderate-income residents within the assessment area is considered excellent.

GEOGRAPHIC DISTRIBUTION OF LOANS

As previously indicated, there are no low-income census tracts within this assessment area.

Distribution of Consumer Loans by Income Level of Geography

	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	3	25	0	28
Percentage of Total Loans	10.7%	89.3%	0%	100%
Total Amount of Loans (000's)	\$13	\$376	\$0	\$389
Percentage of Total Amount	3.3%	96.7%	0%	100%

The bank's level of lending to residents of the moderate-income census tracts (10.7%) is analogous to the percentage of families located within such areas (11.4%) and is considered reasonable.