

Capstone Project

Beckley, WV Branch Expansion

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laeger, WV

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Pioneer Community Bank, Inc. is in the process of branch expansion. This assignment will go in to the impacts for both the bank and the communities the bank serves in detail to explain the need for branch expansion and the impacts the expansion is anticipated to have on the company. In order to understand the total impact on the bank, it is necessary to understand the company's history, the markets it currently serves, and the future impact expansion will have on the bank's profitability. In order to present this information in the capstone project, data that will be used will consist of United States Census Data, Deposit data from the Federal Deposit Insurance Corporation, and market demographics and a feasibility study completed by Diebold Nixdorf. This project will detail the need for addressing historical issues so the bank can progress with the appropriate diligence packages, risk assessments, and pro forma work to open the newly purchase location. It should be noted that to address the new branch, a historical recollection of the existing bank should be reviewed to understand the need to open a new facility.

Pioneer Community Bank was formed in 1930 and began operations as the Bank of Iaeger. The bank is housed in its original location, based in the town of Iaeger, located in McDowell County, West Virginia. In 1997, the Bank of Iaeger changed its charter to Pioneer Community Bank, Inc., a subsidiary of Pioneer Community Group. During 1998, the bank opened its second branch location in Raleigh County, WV. This purchase was made possible due to the fact the Bank

of Raleigh was in the process of being acquired by City Holding Company, the parent holding company of City National Bank. City National Bank was being made to sell off a portion of assets because of market share limitations, therefore, Pioneer Community Bank was able to purchase a full-service branch. Raleigh County presented a slightly different market than McDowell County, which was an attractive scenario for the Board of Directors of Pioneer Community Bank. McDowell County was beginning to see a major decline in both population, employment, and industry, for which Raleigh County had become home to many service industries and helped to diversify the bank in other areas of industry, employment and population. At the time, Raleigh County offered a more stable business environment. In 2008, the bank purchased a portion of Ameribank assets and deposits through an FDIC assisted transaction. Through this purchase, the bank grew from operating 2 full service branches to operating a total of 6 full service offices, operating five full service branches in McDowell and one full service branch in Raleigh County. Due to increased loan demand in Raleigh County, the Ameribank purchase made sense because the bank was operating at a loan to deposit ratio of approximately 125%, and solved the existing liquidity demands placed on the bank. The Raleigh County branch is located in the town of Sophia, WV, which is approximately 7 miles south of the county seat of Beckley, WV. It should be noted that deposit share never came to fruition with the Raleigh County location. Customer surveys and client discussions have determined this location is fairly inconvenient to the county seat of Beckley, which is the center point of business activity in Raleigh County. This project will discuss the coal industry and its demographic effects on the bank along with the challenges and opportunities it presents for the Bank. Pioneer Community Bank currently has an asset size of \$110,000,000.00.

Pioneer Community Bank Current Demographic Footprint:

Because of the two distinctive markets in which Pioneer Community Bank transacts business, it is necessary to provide two separate demographic footprints for the company. To serve as a comparison, certain items in the county statistics will be compared to that of the State of West Virginia.

Pioneer Community Bank is headquartered and operates two additional full-service bank branches in McDowell County, West Virginia. According to the 2010 Census Bureau, McDowell County had a total population of 22,113. The estimated population total in July of 2016 is a total of 19,141, which represents a 13.4% estimated population decrease. In addition to the decline of general population, McDowell County also has an aging population. The estimated population in 2016 of persons ages 65 and older represent 19.8% compared to April 2010's estimate of 16.5% of the total population. McDowell County also struggles with education levels, considering only 64.9% of the entire populations greater than 25 years of age or older have a high school or equivalent education. Only 5.2% of the entire population have a Bachelor's degree. The median household income for the time period of 2012 to 2016 is an average total of \$25,206 and 36.3% of the total population are considered to be living in poverty. The median value of owner-occupied housing units in 2016 dollars is \$33,600.00. As of December 2018, the unemployment rate in McDowell County, WV was 9.4% (lmi.workforcewv.org).

Pioneer Community Bank operates a full-service branch in Raleigh County, West Virginia. Raleigh County provides a larger population base in which according to the 2010 Census Bureau, Raleigh County had a total population of 78,862. The estimated total population in July of 2016 is 76,601, which represents a 2.9% estimated population decrease. In addition to the decline of general population, Raleigh County, like McDowell County, is experiencing an aging population. The estimated population in 2017 of persons greater than the age of 65 is 19.4%, compared to that

of 16.1% of total population greater than the age of 65 in April of 2010. Although Raleigh County provides an education level better than McDowell County, 84.3% of the population have a high school equivalent education and 18.1% have a Bachelor's Degree or higher. The median household income for Raleigh County is \$41,533 and 17.4% of the population are considered to be living in poverty. As of December 2018, the unemployment rate for Raleigh County, WV was 4.9% (lmi.workforcewv.org).

The state of West Virginia has experienced a total population decline of 1.2% over the previous 6 years. As a state, 18.8% of the total population is greater than the age of 65. The median value of owner-occupied housing units for the state is \$107,400. West Virginia has a total of 85.3% of the population with at least a high school equivalent education and 19.6% of the population has at least a Bachelor's Degree. The median household income for West Virginians averages out to \$42,644 and a total of 17.9% of the total population are deemed to be living in poverty. The total state unemployment rate as of December 2018, was 4.8% (lmi.workforcewv.org).

With regards to employment statistics, it is important to understand the coal industry has experienced severe declines in the last 9 years. Although government regulation with regards to the Environment Protection Agency has eased somewhat under the new federal administration, the transformation of power plants to burning cleaner natural gas and alternative fuel sources has had a direct impact on the coal industry. Total employment in the state of West Virginia declined a total of 23,500 jobs from 2011 to 2016 according to statistics provided from Region 1 Workforce of WV. Employment in the coal industry, since 2011, had peak employment totals of 33,700 coal mining and logging jobs compared to 20,300 mining and logging jobs in 2016. Therefore, 43% of the total jobs lost since 2011 in the state of West Virginia are directly tied to the coal and logging

industries. The largest increase in jobs, according to Workforce WV, was in the healthcare and education fields.

As this information shows, the markets that Pioneer Community Bank currently resides and operates presents various challenges for both future growth and possible survival. As will be shown in the next section of this project, understanding the bank's market and the bank's competition is key to providing growth opportunities for the future.

Pioneer Community Bank Current Competitive Dynamic:

The bank's primary competitors are made up of both regional and community banks. In the McDowell County market, there is only one primary competitor in the county, which is MCNB Bank and Trust Co. According to information collected from the FDIC and as of June 30, 2017, MCNB Bank and Trust Co. held a total deposit share of 60.04% compared to 39.96% for Pioneer Community Bank, even though Pioneer operates two additional full-service branches. MCNB Bank and Trust Co. was opened and operated in the McDowell County seat of Welch, WV, which houses a larger population than all of Pioneer Community Bank's markets combined. Although Pioneer Community Bank now has an office in Welch, the competitive and long-term ownership impact of MCNB Bank and Trust Co.'s operations is difficult to overcome. In researching deposit share percentages over the previous 4 years, these percentages have remained relatively unchanged. It should be noted that MCNB Bank and Trust Co. also owns a trust and investment division that specializes in handling larger deposit-based clients, which also attributes a portion of the percentage with regards to deposit market share.

In Raleigh County, competition consists of larger regional banks and community banks. As of June of 2017, Pioneer Community Bank held 2.6% of the total deposit share in Raleigh

County. Part is due to larger banks have been in operation for long periods of time in this locality. City National Bank holds the largest deposit share totaling 26.15%, but also operates the largest number of full-service branches (9). United Bank has the second largest deposit share at 21.40% and operates six full service branches. JP Morgan Chase Bank comes in third with a total deposit share of 16.86% and four branches. Branch Banking and Trust places fifth in deposit share with 13.03% and operates five branches. The remaining offices have minimal market share ranging from 0.20% to 6.21% market share and are made up of the following offices from largest market share to least market share: Bank of Mt. Hope, Inc., Fayette County National Bank, First Community Bank, Whitesville State Bank, MCNB Bank and Trust Co., Pioneer Community Bank, Inc., Summit Community Bank, Inc., First Peoples Bank, Inc., and Woodforest National Bank. It should be noted that deposit share began with City National Bank, United Bank, JP Morgan Chase Bank, Branch Banking and Trust, First Community Bank, and Pioneer Community Bank, Inc. were all banks that expanded in to the Beckley market by way of Merger and Acquisition activity.

Pioneer Community Bank feels that has an opportunity in the Raleigh County market of West Virginia. As stated earlier, the bank feels lack of convenience has played a part in the lack of deposit share for Pioneer in Raleigh County. Although the bank has made many loans outside of the Raleigh County footprint, cross-selling transactional deposit products is difficult. The bank, considering its asset size, is current with up to date technology, offering a variety of online and mobile deposit applications. Future deposit share will continue to be the focus of bank management, and it appears that the focus of deposit growth needs to be necessitated in Raleigh County.

With regards to loans, the bank has aggressively written loans in the Raleigh County market. As stated in the demographic section of this project, executive management of Pioneer

Community Bank has noted it is imperative to write loans in a market with greater stability. The bank has used a greater deposit base located in McDowell County to finance various loans and projects in Raleigh County. For example, McDowell County market holds deposits in an amount of \$79,000,000 compared to \$19,000,000 in Raleigh County. Vice versa, Raleigh County holds a loan balance of approximately \$72,000,000 compared to \$16,000,000 in loans in McDowell County. The downside to the loan portfolio is the majority of the loans are of consumer purpose. Consumer purpose loans total approximately 75% of the total loan portfolio, of that 70% are tied to primary residence financing. The majority of these housing loans are written on adjustable rates, therefore, interest rate risk at this point does not present an issue.

Pioneer Community Bank hired a commercial loan specialist in the Raleigh County market in February of 2017, and this officer has closed approximately \$9MM in new loans in this market. The bank has revamped all commercial deposit accounts in an effort to try and obtain a new deposit niche that has not otherwise been developed. In addition to loan responsibilities, this officer is responsible for outside sales growth on commercial deposits. The commercial specialist has also been tasked with helping train complacent employees to search for business opportunities through cross selling products through all employment positions in the bank.

Future Expansion:

With the improved loan information and knowing how many clients view Pioneer Community Bank as a viable source for loan products, the Board has approved the purchase of real estate located at 3941 Robert C. Byrd Dr., Beckley, WV. This location was previously a bank building, owned by BB&T, and was purchased from a local automobile dealer. This location had been subject to deed restrictions that included the building could not be operated as a bank for a

period of 5 years. BB&T had outgrown the facility and moved two blocks from this location to a new brick and mortar location.

The location Pioneer Community Bank has purchased is housed in the business hub of Raleigh County. At the bank's current location in Sophia, WV, the WV Department of Transportation lists an average daily traffic count of 7,245 total vehicles. The location for future expansion on Robert C. Byrd Drive, Beckley, WV lists a total traffic count of 16,826. Focusing on existing loan clients to cross sell deposit products is the primary goal of the new facility. The bank is determined to hire the appropriate employee or employees that will focus on deposit share growth by working with both businesses and individual clients to make an impact on the bank's needed deposit base. With this expansion, Pioneer Community Bank will remain one of a very limited number of smaller populations, Southern WV headquartered banks, which we feel provides a very good marketing opportunity.

During the fall of 2018, the bank finalized the purchase of the Beckley, WV real estate. The bank also engaged Diebold Nixdorf to complete a feasibility and deposit study on the proposed location. As noted in the study, the demographical data is extremely similar to data that has been presented previously in this project. But it should be noted that instead of breaking down the data by county, the attached study has broken the market area of the proposed facility in 2 miles, 3 miles and 5 miles distances from the proposed branch location. Other information that has been developed is generation segmentations by age, numbers of households, household incomes, household net worth, and population data. The study has a breakdown of household deposits in the market area to be studied. A copy of this information is attached to this report.

Proposed Branch Competitive Landscape:

Due to the amount of financial institutions in the primary trade market of the branch location, management of Pioneer Community Bank has primarily focused on the two miles area surrounding the branch when looking in to possible growth potential. This has been deemed the primary area of focus for management. According to data provided from Diebold Nixdorf, there is total retail product potential of \$957MM, of that \$137MM in deposits, within two miles of the branch location. There are also 905 small businesses within this same 2 mile area that totals an additional \$86.9 MM in deposit potential. Aggregate consumer mortgages within the two mile area total \$451 MM which equates to an average mortgage per household totaling \$71,939.00. Aggregate non-mortgage financing needs carry an aggregate balance of \$71.6 MM, which equates to consumer non-mortgage financing needs of \$11,414 per household. Small businesses hold a total short-term debt potential of \$44.6 MM and aggregate long-term debt potential of \$203.9 MM. A copy of this information is attached to this report.

Using this information, the area located directly near this branch has a robust retail population, which shows an approximated worktime population in excess of 18,700 people within two miles of the branch location. At the present time, there are 11 bank branch locations within a 1.5 mile trade area, holding an average of \$426 MM in deposits. It is also noted that the Compound Annual Growth Rate (CAGR) for these bank branches is 3.7% over the previous 36 months. A breakdown of deposit data for these 11 branches is attached to this report. It is noted that only one of the banks, Bank of Mt. Hope and one credit union, Raleigh County Educators FCU, are somewhat locally owned. All other facilities are regional and large national banks. The largest of these depositors within the 1.5 mile range from this facility is Branch Bank and Trust, which has a deposit total of \$107 MM.

The board of directors of Pioneer Community Bank has used this information and has challenged management to develop a product set and create a niche within this market to achieve success. As noted earlier in this report, the deposit piece for Pioneer Community Bank is the main emphasis in the short term. As of September 30, 2018, the Raleigh County market provided approximately \$19 MM in deposits for Pioneer Community Bank. It is imperative that with the large decline in population in McDowell County, the bank will have to focus on other areas for deposit growth. Being one of three, locally owned, smaller community banks and credit unions will provide the bank to create products and services unlike the large companies. Employees at Pioneer intend to continue to focus on small business owners and will provide services in a small, face to face, atmosphere for both the business owners and their employees. The hiring and training of appropriate staff is of paramount importance. Pioneer Community Bank has hired a Market Sales Leader, who was previously employed with JP Morgan Chase, to help develop deposit products and services for the bank in its' entirety. This person will also be responsible for staff training and development pertaining to new product mixes. Having previously been employed with JP Morgan Chase, this employee also has contacts in the market area that will be extremely beneficial in "Warm" calling potential deposit clients. The Market Sales Leader will also be working directly with the bank's Commercial Loan Officer to determine calling requirements for potential clients along with interviewing potential deposit clients pertaining to what products and services the bank will offer to enhance market competition.

Pioneer Community Bank is in the process of interviewing potential staff for the new location. In an effort to enhance efficiency and offer the best possible service, current Raleigh County staff will be split among the two locations for several reasons. First and foremost, many customers will float between the two locations. Management feels the need to provide familiarity

to both clients and employees to create support for the new location. Keeping communication with employees transparent on the need for the new branch along with insight as to possible enhanced products and services are keys to success.

Financial Status and Projections:

Pioneer Community Bank purchased the real estate in 2018 for a total amount of \$1,440,000. As stated earlier in the report, the building was originally a Branch Bank and Trust facility, therefore, modifications to the building are kept to a minimum. The building did need renovations to enhance future growth. For instance, all CAT 5 cabling needed to be replaced with CAT 6. The building needed a fresh look, which includes new paint, carpet, and minor construction work. All existing lighting has been upgraded to LED lighting. The HVAC systems were required to be upgraded. The mechanical systems on the drive thru, all lanes, require upgrading. Including the repairs and modifications, total expenses of \$400,000 are expected to get the Beckley location operational. While providing expense details pertaining to the new facility, management took a conservative approach and added an approximate \$400,000 for repairs and renovations. It is important to note that an anticipated capital cost of \$1,840,000 was used for the pro forma financials of the new location. The chart below lists the total acquisition and modification costs associated with the new facility.

Acquisition Costs**\$ 1,440,000.00**

Expense Items	Budget Amount	Actual Costs
Building Renovations	\$ 160,000.00	\$ 120,000.00
Parking Lot Repairs	\$ 25,000.00	\$ 8,950.00
Automated Teller Machine	\$ 32,500.00	\$ 18,000.00
New Drive Thru Equipment	\$ 30,000.00	\$ 23,140.00
New Teller Cabinetry	\$ -	\$ 22,334.20
Updated Fire Alarm System	\$ -	\$ 13,729.00
Re-Keying of Vault/Night Drop	\$ 5,000.00	\$ 4,000.00
Signage	\$ 25,000.00	\$ 12,317.20
Alarm System	\$ 12,500.00	\$ 8,900.00
Computer Equipment	\$ 40,000.00	\$ 33,781.00
Office Furniture/Seating	\$ 50,000.00	\$ 39,741.69
Contingency Fund	\$ 20,000.00	
Total	\$ 400,000.00	\$ 304,893.09

Total Costs Associated with Beckley, WV Branch**\$ 1,744,893.09**

Based upon market demographics, competitive intensity/historical performance, and existing customer distributions, management agrees with the conservative and aggressive deposit projections that were provided by Diebold Nixdorf for the next five years. Management is in the process of developing an incentive-based sales approach for all branch employees to enhance deposit growth in the Raleigh County market. The immediate short-term goals for the new branch is deposit growth due to the loss of deposits and the continued decrease in the McDowell County population. These projections show a five-year total deposit gain of \$24 MM conservatively to an aggressive amount of \$30 MM.

Management will continue to monitor success of the new branch by utilization of the pro forma work completed by Diebold Nixdorf. For budgeting purposes, it is important that management use this information to try and decrease the projected expenses that have been listed.

For example, when looking at employee expense, management must ask itself if there is a way to cut salaries or demand more of employees to obtain the higher pay levels. Management must review all invoicing and ensure that capital expenditures that are not necessary may decrease the cost that has been allocated to the pro forma statements. Employees must all work to obtain rapport with clients that make them not want to experience a change in their banking habits. Should employees and management hold themselves accountable to the original pro forma financials, management can gauge timing of profitability of the new investment. A copy of the pro forma statement is attached to this project.

Competitive Differentiation:

Success of Pioneer Community Bank's Beckley branch will be competitive differentiation and sales approaches with future clients. Marketing is a very important piece of creating a different experience. Several items are being discussed amongst management. Although the Universal Banker System continues to gain steam and popularity nationwide, bank management does not feel as if this is an explorable option at the time due to the fact the branch is already set up as a traditional bank branch. The costs associated of transitioning to cash handling machines is not cost efficient to our current budget. Additionally, according to the Diebold Nixdorf feasibility study, 70% of the population is over the age of 38. Change can sometimes be difficult, and it seems that it is even more difficult with people as they age. Management feels as if transitioning to a partial universal system in our lobby area may enhance technological advancements with clients and achieve desired results with our budgeting and profitability requirements.

New age ideas such as coffee bars and integrated teller machines may work in other areas, but Southern WV and the aging population may not accept new ideas. Management will be placing a coffee bar in the lobby that will be supplied by a locally owned coffee vendors product. Focusing

on the local economy and local businesses only helps to provide the thought that Pioneer Community Bank is totally committed to the Raleigh County small business community. Additionally, the bank plans to market both the coffee vendor and providing free products to clients asking for donations on a per visit basis. All of the donations collected at the onset will be given to a different charity monthly in the community. Therefore, the bank anticipates being able to receive free marketing services from the monthly charity that is being supported.

Pioneer Community Bank is also exploring the idea of providing Cash Mobs for small retail business owners. For instance, the bank plans to purchase one hundred \$10 gift cards for a locally owned business in the market area. For the first 100 people that come into the branch, they will receive one of the \$10 gift cards along with a package detailing the bank's product offerings. Management anticipates being able to market small businesses along with providing information pertaining to the bank's products and services in a way no other bank is doing so in Raleigh County. Should this approach bring new clients to the bank, management will explore options of cash mobs in each of the markets we serve.

Conclusion:

In conclusion, Management and the Board of Directors of Pioneer Community Bank have identified a need for the proposed branch in Beckley, WV. Developing employees to understand the niche in which the bank will assess the community's needs and providing the service warranted by potential clients will make the branch successful. Small community banks have an opportunity to provide quality services and products that can compete with regional banks. As stated in this report, the need for future deposit growth has been determined due to the deteriorating population in the bank's original footprint. This location provides the methods necessary to enhance future growth of the institution. Raleigh County is the "hotbed" of retail and commercial activity in

Southern West Virginia. This location provides the bank the means necessary to gain market share in the Raleigh County area. Future plans look bright for this location as a rebranding effort will be necessary to attract a client base that the bank has not provided focus in the past. The Board of Directors and Management are completely dedicated to providing the support and providing the means necessary to make this branch a total success in Beckley, WV.

Sources:

United States Census

Diebold Nixdorf Feasibility Study



QuickFacts
West Virginia; Raleigh County, West Virginia; McDowell County, West Virginia

QuickFacts provides statistics for all states and counties, and for cities and towns with a *population of 5,000 or more.*

Table

ALL TOPICS

Population estimates, July 1, 2016, (V2016)

PEOPLE

Population

	West Virginia	Raleigh County, West Virginia	McDowell County, West Virginia
Population estimates, July 1, 2017, (V2017)	1,815,857	NA	NA
Population estimates, July 1, 2016, (V2016)	1,831,102	76,601	19,141
Population estimates base, April 1, 2010, (V2017)	1,853,006	NA	NA
Population estimates base, April 1, 2010, (V2016)	1,853,011	78,862	22,111
Population, percent change - April 1, 2010 (estimates base) to July 1, 2017, (V2017)	-2.0%	NA	NA
Population, percent change - April 1, 2010 (estimates base) to July 1, 2016, (V2016)	-1.2%	-2.9%	-13.4%
Population, Census, April 1, 2010	1,852,994	78,859	22,113

Age and Sex

Persons under 5 years, percent, July 1, 2016, (V2016)	5.5%	5.7%	5.8%
Persons under 5 years, percent, April 1, 2010	5.6%	6.0%	5.4%
Persons under 18 years, percent, July 1, 2016, (V2016)	20.5%	21.1%	20.6%
Persons under 18 years, percent, April 1, 2010	20.9%	20.8%	20.0%
Persons 65 years and over, percent, July 1, 2016, (V2016)	16.8%	19.4%	19.8%
Persons 65 years and over, percent, April 1, 2010	16.0%	16.1%	16.5%
Female persons, percent, July 1, 2016, (V2016)	50.5%	49.8%	51.0%
Female persons, percent, April 1, 2010	50.7%	50.1%	50.5%

Race and Hispanic Origin			
White alone, percent, July 1, 2016, (V2016) (a)	93.6%	88.6%	89.6%
Black or African American alone, percent, July 1, 2016, (V2016) (a)	3.6%	8.3%	8.9%
American Indian and Alaska Native alone, percent, July 1, 2016, (V2016) (a)	0.2%	0.3%	0.2%
Asian alone, percent, July 1, 2016, (V2016) (a)	0.8%	1.0%	0.1%
Native Hawaiian and Other Pacific Islander alone, percent, July 1, 2016, (V2016) (a)	Z	Z	0.0%
Two or More Races, percent, July 1, 2016, (V2016)	1.7%	1.9%	1.3%
Hispanic or Latino, percent, July 1, 2016, (V2016) (b)	1.5%	1.6%	0.9%
White alone, not Hispanic or Latino, percent, July 1, 2016, (V2016)	92.3%	87.4%	88.7%
Population Characteristics			
Veterans, 2012-2016	145,171	6,713	1,172
Foreign born persons, percent, 2012-2016	1.6%	1.7%	1.2%
Housing			
Housing units, July 1, 2016, (V2016)	886,640	35,996	11,136
Housing units, April 1, 2010	881,917	35,931	11,322
Owner-occupied housing unit rate, 2012-2016	72.5%	72.6%	78.2%
Median value of owner-occupied housing units, 2012-2016	\$107,400	\$105,500	\$33,600
Median selected monthly owner costs -with a mortgage, 2012-2016	\$977	\$950	\$687
Median selected monthly owner costs -without a mortgage, 2012-2016	\$298	\$298	\$243
Median gross rent, 2012-2016	\$658	\$659	\$516
Building permits, 2016	2,544	42	6
Families & Living Arrangements			
Households, 2012-2016	739,397	30,880	7,963
Persons per household, 2012-2016	2.43	2.42	2.36
Living in same house 1 year ago, percent of persons age 1 year+, 2012-2016	88.2%	86.7%	93.9%
Language other than English spoken at home, percent of persons age 5 years+, 2012-2016	2.4%	3.4%	1.7%
Education			
High school graduate or higher, percent of persons age 25 years+, 2012-2016	85.3%	84.3%	64.9%
Bachelor's degree or higher, percent of persons age 25 years+, 2012-2016	19.6%	18.1%	5.2%
Health			
With a disability, under age 65 years, percent, 2012-2016	14.4%	16.2%	24.3%
Persons without health insurance, under age 65 years, percent	▲ 6.5%	▲ 8.1%	▲ 9.4%

Economy			
In civilian labor force, total, percent of population age 16 years+, 2012-2016	53.8%	49.5%	29.3%
In civilian labor force, female, percent of population age 16 years+, 2012-2016	49.2%	46.1%	29.3%
Total accommodation and food services sales, 2012 (\$1,000) (c)	4,036,333	177,800	D
Total health care and social assistance receipts/revenue, 2012 (\$1,000) (c)	12,259,395	735,347	58,472
Total manufacturers shipments, 2012 (\$1,000) (c)	24,553,072	278,552	D
Total merchant wholesaler sales, 2012 (\$1,000) (c)	14,295,437	D	D
Total retail sales, 2012 (\$1,000) (c)	22,637,923	1,452,444	131,211
Total retail sales per capita, 2012 (c)	\$12,201	\$18,380	\$6,153
Transportation			
Mean travel time to work (minutes), workers age 16 years+, 2012-2016	25.6	24.2	24.9
Income & Poverty			
Median household income (in 2016 dollars), 2012-2016	\$42,644	\$41,533	\$25,206
Per capita income in past 12 months (in 2016 dollars), 2012-2016	\$24,002	\$22,590	\$14,259
Persons in poverty, percent	▲ 17.9%	▲ 17.4%	▲ 36.3%

BUSINESSES

Businesses			
Total employer establishments, 2015	36,993 ¹	1,829	258
Total employment, 2015	565,435 ¹	26,779	2,687
Total annual payroll, 2015 (\$1,000)	22,159,084 ¹	1,002,415	86,616
Total employment, percent change, 2014-2015	-1.7% ¹	-6.5%	-5.4%
Total nonemployer establishments, 2015	88,136	3,432	491
All firms, 2012	114,435	4,621	629
Men-owned firms, 2012	63,112	2,469	345
Women-owned firms, 2012	39,065	1,576	231
Minority-owned firms, 2012	5,777	477	59
Nonminority-owned firms, 2012	104,785	3,880	525
Veteran-owned firms, 2012	12,912	506	29
Nonveteran-owned firms, 2012	94,960	3,790	556

GEOGRAPHY

Geography			
Population per square mile, 2010	77.1	130.3	41.5
Land area in square miles, 2010	24,038.21	605.35	533.46
FIPS Code	54	54081	54047

Demographics

	2 mile	3 Mile	5 Mile
Demographics			
Current Population (2018)	14,213	26,757	44,772
Projected Population (2023)	14,181	26,814	44,733
5 Year Population Growth (percent)	-0.2	0.2	-0.1
Current Households (2018)	6,276	11,706	18,203
Projected Households (2023)	6,259	11,730	18,188
5 Year Household Growth (percent)	-0.3	0.2	-0.1
Aggregate Household Income (\$000)	376,717	670,751	1,035,551
Average Household Income (\$)	60,025	57,300	56,889
Aggregate Household Net Worth (\$000)	1,410,873	2,590,985	4,029,638
Average Household Net Worth (\$)	224,804	221,338	221,372
Generation Segmentation			
Gen Z (18 – 28)	1,628	3,040	5,425
Gen Y (29 – 37)	1,686	2,996	5,356
Gen X (38 – 51)	2,348	4,373	7,910
Younger Boomers (52 – 61)	1,841	3,521	5,991
Older Boomers (62 – 72)	2,085	4,012	6,438
Golden Generation (73+)	1,632	3,030	4,670
% youth (Under 38)	30%	29%	30%
% middle age (38 - 61)	37%	38%	39%
% older (62 or older)	33%	34%	31%

- Focusing on the 3 mile trade area: there are 26,757 people or 11,706 households of which both measures are expected to remain flat (-.02% growth) over the next five years
- Average household income is highest at the 2 mile (\$60K) and decreases slightly as you move further away from the potential branch
- The average household at the 3 mile has \$221K in household net worth (also lower than the measure of the two mile trade area of \$225K)
- At the 3 mile, the single largest generation segment is Gen X (4,373) followed by Older Boomers (4,012)
- The middle age super-segment is the largest in all three trade areas while the youth segment is the smallest (as percent of adult population) across all three trade areas



Financial Product Potential

	2 mile	3 Mile	5 Mile
Product Potential			
Total Retail Product Potential (\$000)	957,847	1,680,439	2,549,951
Aggregate Deposits (\$000)	137,198	243,488	371,951
Average Deposits per Household (\$)	21,861	20,800	20,433
Aggregate Investments (\$000)	297,525	510,468	764,294
Average Investments per Household (\$)	47,407	43,607	41,987
Aggregate Mortgage (\$000)	451,488	794,356	1,205,959
Average Mortgage per Household (\$)	71,939	67,859	66,251
Aggregate Non-Mortgage (\$000)	71,636	132,127	207,746
Average Non-Mortgage per Household (\$)	11,414	11,287	11,413
Small Business Potential (Annual Sales <\$10MM)			
Number of Small Businesses	905	1,350	1,732
Aggregate Deposits Potential (\$000)	86,933	125,055	159,485
Aggregate Short Term Debt Potential (\$000)	44,577	62,944	80,177
Aggregate Long Term Debt Potential (\$000)	203,941	287,492	366,623

- At the 3 mile, there is \$243M in retail deposits and the average household has \$20,800 in total deposits across all the FIs they have a relationship with.

- Average potential is highest at the 2 mile in all four product families

- There are 905 businesses at the 2 mile with an estimated \$87M in deposit potential, and \$248M in short + longer term loans



Activity and Competitive Summary

	2 mile	3 Mile	5 Mile
Retail, Business and Worktime Population			
Retail Establishments	151	192	264
Worktime Population	18,715	27,505	34,063
Competition Data (1.5 mile only)			
Number of Branches	11		
2018 Total Deposits (\$000)	425,801		
2018 Average Deposits (\$000)	38,709		
3 Year Branch Growth Rate (percent)	3.7%		

- Of the 900+ businesses at the 2 mile, 151 are part of the retail sector.
- The average worktime population is a healthy 18,715 at the 2 miles, creating a critical mass of consumers in and around the potential branch during the day.
- There are 11 existing branches in operation within a 1.5 mile trade area collectively holding \$426M in deposits, which has grown (CAGR) 3.7 percent each of the past three years.



Detailed Competitive Landscape

FDIC Reported Deposits (\$000)

Bank/Credit Union	Address	Distance (miles)	2018	2017	2016	2015	3 Year CAGR
First Community Bank	111 Citizens Dr	0.11	51,659	45,686	45,703	50,405	0.8%
Star USA Federal Credit Union	3871 Robert C Byrd Dr	0.14			Not available		
Branch Banking and Trust Company	3849 Robert C Byrd Dr	0.19	107,059	100,020	93,991	91,532	5.4%
JPMorgan Chase Bank	4140 Robert C Byrd Dr	0.42	66,209	62,631	57,758	55,637	6.0%
Bank of Mount Hope, Inc.	204 Pinewood Dr	0.44	45,526	45,853	42,731	47,722	-1.6%
Woodforest National Bank	1330 N Eisenhower Dr	0.47	1,627	1,842	1,506	1,090	14.3%
Teibec Federal Credit Union	3695 Robert C Byrd Dr	0.48	10,720	11,877	12,595	12,269	-4.4%
United Bank	60 Raleigh Mall	0.64	39,776	41,681	42,713	30,948	8.7%
City National Bank of West Virginia	902 N Eisenhower Dr	0.65	45,956	43,109	41,460	38,912	5.7%
M/CNB Bank and Trust Co.	85 Jerome Van Meter Dr	0.67	39,384	30,541	20,064	34,208	4.8%
Raleigh County Educators FCU	105 Adair St	1.38	17,885	18,988	19,129	18,619	-1.3%
Total Banking Node			425,801	402,228	377,650	381,342	3.7%

- Of the 11 branches in the 2 mile radius, there are 3 credit unions and 8 bank owned branches. BB&T, Chase, and Woodforest all have branches in the immediate area.
- Three branches have lost deposits over the past three years while the overall banking node grew by 3.7 percent each year for the past three years
- The average branch has \$39M in deposits as of June of 2018. However, the single BB&T branch has \$107M or 25 percent of the node's total deposits.



Branch Pro Forma

	Current	2019	2020	2021	2022	2023
TOTAL DEPOSITS:	\$0	\$6,750,000	\$12,150,000	\$18,900,000	\$24,300,000	\$27,600,000
TOTAL LOANS:	\$0	\$6,075,000	\$10,935,000	\$17,010,000	\$21,870,000	\$24,300,000
INCOME:						
Net Interest Income	0	295,525	513,945	799,470	1,027,890	1,142,100
Fees and Service Charges	0	13,500	24,300	37,800	48,600	54,000
TOTAL INCOME:	\$0	\$299,025	\$538,245	\$837,270	\$1,076,490	\$1,196,100
OPERATING EXPENSE:						
Salaries & Benefits	0	214,000	219,350	224,834	230,455	236,216
Occupancy Expense	0	5,000	5,075	5,151	5,228	5,307
Furniture and Equipment Expense	0	1,000	1,010	1,020	1,030	1,041
Misc Expense	0	4,000	4,000	4,000	4,000	4,000
Professional Services	0	3,000	0	0	0	0
Marketing Cost	0	15,000	0	0	0	0
Loan Loss Provision	0	60,750	109,350	170,100	216,700	243,000
TOTAL OPERATING EXPENSE:	\$0	\$302,750	\$338,785	\$405,105	\$459,413	\$489,563
DEPRECIATION EXPENSE:						
Building + Improvements	0	134,900	134,900	134,900	134,900	134,900
Furniture and Fixtures	0	13,000	13,000	13,000	13,000	13,000
Signage	0	2,500	2,500	2,500	2,500	2,500
Office Equipment	0	2,857	2,857	2,857	2,857	2,857
Automation and Technology	0	11,429	11,429	11,429	11,429	11,429
TOTAL DEPRECIATION EXPENSE:	\$0	\$164,686	\$164,686	\$164,686	\$164,686	\$164,686
TOTAL EXPENSE:	\$0	\$467,436	\$503,471	\$569,791	\$624,099	\$654,249
CONTRIBUTION:						
CONTRIBUTION (Before Tax):	\$0	\$168,411	\$34,774	\$267,479	\$452,391	\$541,851
NET CONTRIBUTION (After Tax):	\$0	\$168,411	\$27,472	\$211,309	\$357,369	\$428,062
NET CASH FLOW:	\$0	\$1,844,000	\$3,725	\$192,157	\$375,994	\$592,748
5 Year IRR:						
Payback in Years:						
NPV:						
NPV at 5%						
NPV at 10%						
NPV at 15%						
NPV at 20%						

- Assuming \$27MM in deposits by year 5 @ 90% LTD ratio
- Branch will cover expenses by year 2 however breakeven on \$1.84MM capital investment does not occur until 5th year
- IRR is negative (2.4%) over 5 years
- 5 Year NPV @ 10% is (\$681K)
- To achieve a positive NPV @ 10%, branch would need closer to \$37MM in deposits which would also show a 9.9% IRR and payback of a little less than 4 years



Sources:

United States Census

Diebold Nixdorf Feasibility Study