

PUBLIC DISCLOSURE

February 13, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Miners Exchange Bank

711520

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Federal Reserve Bank of Richmond

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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 size, financial condition, and demand for credit.
- A substantial majority of the bank's Home Mortgage Disclosure Act (HMDA) and consumer loans are made within the bank's assessment areas.
- The bank's borrower distribution performance is excellent in the Commonwealth of Virginia and poor in Tennessee. On a combined basis, the bank's overall borrower distribution performance is considered reasonable.
- The bank's geographic distribution performance is excellent in the Commonwealth of Virginia and reasonable in Tennessee. Overall, the bank's geographic distribution performance is considered excellent.
- There have been no complaints regarding the bank's CRA performance since the previous evaluation.

SCOPE OF EXAMINATION

Miners Exchange Bank (MEB) was evaluated using the interagency examination procedures for a small bank developed by the Federal Financial Institutions Examination Council (FFIEC). Consistent with these procedures, residential mortgage loan originations and purchases reported by the institution in accordance with the HMDA during calendar years 2014 and 2015 were reviewed. MEB's residential mortgage (HMDA) lending from 2016 cannot be considered in this evaluation because the data has not yet been reported. Regulation C, which implements the HMDA, requires subject banks to report HMDA data by March 1st of the following calendar year.

Based on recent origination volume, consumer motor vehicle secured lending is also considered a primary product line and was considered in the evaluation. Specifically, a sample of 150 consumer motor vehicle loans selected from a universe of 505 such loans, totaling \$4.2 million, during calendar year 2016 was included in the analysis.

Based on the FFIEC's evaluation procedures, ratings are assigned to the institution, the Commonwealth of Virginia, and the State of Tennessee. Full scope procedures were applied to both of MEB's assessment areas:

- Wise, VA NonMSA
- Johnson City, TN

DESCRIPTION OF INSTITUTION

MEB is headquartered in Coeburn, Virginia, and operates six offices in southwest Virginia and northeast Tennessee. The bank has no subsidiaries or affiliates. MEB received a Satisfactory rating at its prior CRA evaluation dated February 4, 2013. No known legal impediments exist that would constrain the bank in meeting the credit needs of its assessment areas.

As of December 31, 2016, MEB held \$109.5 million in assets, of which 49.2% were net loans. As of this same date, deposits totaled \$97.7 million. Various deposit and loan products are available through the institution including loans for residential mortgage, commercial, and consumer purposes. The composition of the loan portfolio (reflecting gross loans) is represented in the following table.

Composition of Loan Portfolio

Loan Type	12/31/2016	
	\$(000s)	%
Secured by 1-4 Family dwellings	29,724	54.5
Multifamily	0	0.0
Construction and Development	2,476	4.5
Commercial & Industrial/ NonFarm NonResidential	15,042	27.6
Consumer Loans and Credit Cards	6,377	11.7
Agricultural Loans/ Farmland	0	0.0
All Other	960	1.8
Total	54,579	100.0

As indicated in the preceding table, the bank is an active residential mortgage, commercial, and consumer lender. Recent bank lending activity has been concentrated in residential mortgage and consumer loans.

MEB serves two assessment areas located in southwestern Virginia and northeastern Tennessee; however, the assessment areas are not contiguous. The assessment area in the Commonwealth of Virginia is located within a nonmetropolitan portion of the state, while the Tennessee assessment area is located in the Johnson City, TN Metropolitan Statistical Area (MSA). The following table reflects the composition of the bank's assessment areas.

Assessment Area Name	County/City	State	Census Tracts Included
Wise, VA NonMSA	Dickenson County	VA	All
	Russell County	VA	0302.00, 0303.00, 0306.00
	Wise County	VA	All
	Norton City	VA	All
Johnson City, TN	Washington County	TN	0614.01 – 0616.02

At the previous evaluation, the bank delineated three assessment areas. On March 20, 2013, MEB closed its only branch located in Sullivan County, TN which is part of the Kingsport-Bristol-Bristol, TN-VA MSA. This branch closure required the bank to eliminate this assessment area as the bank no longer operates a branch within the MSA. On June 30, 2014, the bank closed a branch located in Wise County, VA. Because the bank operates other branches in Wise County, this branch closure did not require any changes to the bank's assessment area delineation.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Overall, the bank's performance is rated Satisfactory. This rating considers the bank's loan-to-deposit ratio, level of lending in its assessment areas, borrower distribution performance, and geographic distribution performance. Each component is discussed in the following sections.

While MEB's HMDA loan data from calendar years 2014 and 2015 were fully analyzed and considered in the evaluation, only bank and aggregate data from 2015 are reflected in the assessment area analysis tables. In instances when the bank's performance during 2014 varies significantly from its performance during 2015, such variance and the corresponding impact on the overall performance is discussed.

Aggregate HMDA lending data includes all activity reported by lenders subject to reporting residential mortgage data that originated or purchased such loans within the bank's assessment area. Relevant area demographic data from the 2010 American Community Survey (ACS) is used as a proxy for demand. While ACS data is collected and published by the U.S. Census Bureau on an annual basis, the demographic data relied upon in this performance evaluation is based on ACS data that is updated once every five years.

As previously indicated, the analysis of consumer motor vehicle lending is based on a sample of such lending from calendar year 2016. Because there is no aggregate consumer loan data available, the consumer loan tables include only the bank's lending activity.

When evaluating the borrower and the geographic distribution for a specific loan category within an assessment area, primary emphasis is placed on the number of loans originated or purchased. To arrive at an overall assessment area conclusion regarding the distribution of lending, performance in each loan category is then generally weighted by the dollar volume of such loans in the assessment area.

The institution's state ratings are based solely on the performance of each state's delineated assessment area. Similarly, the institution rating is based upon a relative weighting of the performance in each state. When considering the institution's overall rating, the bank's performance in the Commonwealth of Virginia is given more weight because a majority of the institution's banking activities take place in the Commonwealth of Virginia.

Loan-To-Deposit Ratio

The bank's loan-to-deposit ratio as of December 31, 2016, equaled 55.2% and averaged 56.3% for the 16-quarter period ending December 31, 2016. In comparison, the average quarterly loan-to-deposit ratios for three similarly situated institutions that operate in MEB's assessment area ranged from 51.2% to 88% during the 15-quarter period ending September 30, 2016. Since December 31, 2012, assets, loans, and deposits decreased by 20.9%, 17.6% and 23.4%, respectively. When considering the bank's size, financial condition, market condition, and local credit needs, the bank's loan-to-deposit ratio is considered reasonable.

Lending In Assessment Areas

To determine the institution's volume of lending within its assessment areas, the geographic location of the bank's HMDA loans originated during calendar years 2014 and 2015, and consumer loans originated in 2016, were considered.

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

Loan Type	Inside				Outside			
	#	%	\$(000)	%	#	%	\$(000)	%
Home Purchase	63	82.9	4,314	80.7	13	17.1	1,033	19.3
Home Improvement	75	92.6	1,503	96.8	6	7.4	50	3.2
Refinancing	41	95.3	2,457	88.2	2	4.7	328	11.8
Multi-Family Housing	0	0.0	0	0.0	1	100.0	319	100.0
Total HMDA related	179	89.1	8,274	82.7	22	10.9	1,730	17.3
Consumer Loans	140	93.3	1,192	94.0	10	6.7	76	6.0
TOTAL LOANS	319	90.9	9,466	84.0	32	9.1	1,806	16.0

As indicated in the preceding table, a substantial majority of the number of residential mortgage and consumer loans were extended to residents of the bank's assessment areas.

Lending To Borrowers of Different Incomes

While the bank's borrower distribution performance is excellent in the Commonwealth of Virginia, its performance in the State of Tennessee is considered poor overall. By product type, the bank's performance is excellent for both consumer and HMDA lending in Virginia, while it varies from reasonable (consumer) to very poor (HMDA) in Tennessee. When weighting these factors, the bank's overall borrower distribution performance is reasonable.

Geographic Distribution of Loans

The bank's geographic distribution is excellent in the Commonwealth of Virginia and is considered reasonable in Tennessee. While MEB's HMDA and consumer lending are both excellent in Virginia, the geographic distribution varied by product type in Tennessee. Specifically, the HMDA distribution is considered reasonable, while the consumer loan distribution is poor. Overall, the bank's geographic distribution performance is considered excellent. In reaching this conclusion, greater weight was placed on the bank's performance within the Commonwealth of Virginia because of the concentration of bank activities within the Commonwealth.

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.

A review of the bank's assessment areas during the evaluation found that its delineations complied with the requirements of Regulation BB. To the extent that the bank delineated less than a whole MSA or political subdivision within an assessment area, the delineated area contained whole geographies, did not reflect illegal discrimination (e.g. through the exclusion of majority-minority census tracts), and did not arbitrarily exclude low- or moderate-income census tracts.

COMMONWEALTH OF VIRGINIA

CRA RATING FOR VIRGINIA: Outstanding

Major factors supporting the rating include:

- The bank's borrower distribution performance is considered excellent for both HMDA and consumer motor vehicle lending.
- The bank's geographic distribution performance is considered excellent for both HMDA and consumer motor vehicle lending.

SCOPE OF EXAMINATION

The bank delineated one assessment area (Wise, VA NonMSA) in the Commonwealth of Virginia. Statewide ratings for Virginia are based solely on the bank's performance in this assessment area.

HMDA and consumer motor vehicle secured loans were analyzed to determine the bank's performance regarding the borrower and geographic distributions of lending. The HMDA data are from calendar years 2014 and 2015, while the consumer data is taken from a sample of automobile secured loans originated by the bank during calendar year 2016.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN WISE, VA NONMSA ASSESSMENT AREA

The bank operates five full service branches in Dickenson, Russell, and Wise counties, along with the City of Norton, Virginia. According to 2010 ACS data, the assessment area has a population of 74,676 and a median housing value of \$76,119. The owner-occupancy rate for the market (61.4%) exceeds the rate for nonmetropolitan areas of Virginia (59.9%) and is substantially similar to that of the Commonwealth of Virginia (61.8%). Within the assessment area, 16.3% of families are considered below the poverty level, which significantly exceeds the level in nonmetropolitan areas of Virginia (11.8%) as well as the Commonwealth (7.2%). Recent area median family incomes are detailed in the following table.

Area	Median Family Incomes		
	2014	2015	2016
Virginia Statewide Nonmetropolitan Area	\$52,000	\$52,700	\$52,300

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

Assessment Area Demographics

Wise, VA NonMSA (Based on 2010 ACS Data and 2015 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	5,249	26.6
Moderate	10	52.6	10,076	51.1	1,858	18.4	4,270	21.6
Middle	8	42.1	8,556	43.4	1,309	15.3	3,732	18.9
Upper	1	5.3	1,096	5.5	50	4.6	6,477	32.9
NA	0	0.0	0	0.0	0	0.0		
Total	19	100.0	19,728	100.0	3,217	16.3	19,728	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	8,991	31.0
Moderate	11,054	52.9	15,217	52.4	3,289	21.6	5,204	17.9
Middle	8,670	41.5	12,195	42.0	2,624	21.5	4,927	17.0
Upper	1,187	5.6	1,615	5.6	134	8.3	9,905	34.1
NA	0	0.0	0	0.0	0	0.0		
Total	20,911	100.0	29,027	100.0	6,047	20.8	29,027	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	924	47.8	842	48.4	65	41.4	17	50.0
Middle	877	45.4	778	44.7	83	52.9	16	47.1
Upper	131	6.8	121	6.9	9	5.7	1	2.9
NA	0	0.0	0	0.0	0	0.0	0	0.0
Total	1,932	100.0	1,741	100.0	157	100.0	34	100.0
Percentage of Total Businesses:			90.1			8.1		1.8

*NA-Tracts without household or family income as applicable

According to data published by the FFIEC, six of the assessment area middle-income census tracts have been classified as distressed and/or underserved during 2015. A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that has experienced a high rate of unemployment and/or poverty or population loss. Specifically, five census tracts in Wise County are designated as distressed due to high rates of unemployment. During 2016, these same tracts were also designated as distressed due to high rates of poverty. Additionally, one census tract in the City of Norton was designated as distressed due to a high rate of poverty during both 2015 and 2016.

The local economy is based on a variety of manufacturing, service, and health care industries. Major area employers include Paramount Coal Company, Red Onion State Prison, Wal-Mart stores, Norton Community Hospital, Cingular Wireless (call center), Bristol Regional Health System, local government, and area school systems. Current and recent periodic employment rates are included in the following table.

Unemployment Rate Trend				
Geographic Area	Dec 2013	Dec 2014	Dec 2015	Dec 2016
Dickenson County	10.2%	9.4%	10.7%	8.6%
Russell County	7.3%	6.8%	6.2%	5.9%
Wise County	9.9%	8.5%	8.4%	7.6%
City of Norton	7.9%	6.4%	6.8%	6.5%
Virginia	5.1%	4.6%	3.9%	3.8%

As indicated in the preceding table, area unemployment rates trended down during the recent four-year period. However, the trend has not been consistent for each county and city as unemployment rates rose in Dickenson County and the City of Norton during 2015. Despite the overall decline, unemployment rates within the assessment area are high in relation to the Commonwealth's overall rates. Elevated unemployment rates suggest that the local economies are weak in comparison to the statewide economy and may impact MEB's ability to extend safe and sound loans.

A local economic development official was recently contacted to discuss area economic conditions and community credit needs. The contact noted that the economy is gradually improving but still weak overall. The loss of jobs in the coal industry is affecting other related industries (e.g. trucking and equipment repair), but the contact stated that gains in other business sectors will offset some of the job loss in the mining industry. The contact also suggested that financial education is an important element of a healthy business environment and that several local financial institutions actively participate in financial management workshops designed for small businesses and entrepreneurs. Despite challenging local economic conditions, the individual indicated that area financial institutions are reasonably serving the banking needs of the local community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Within this assessment area during 2015, the bank reported originating \$3.9 million in residential mortgage loans. During 2016, it is estimated that the bank originated 464 consumer motor vehicle loans totaling \$3.9 million within this assessment area. Accordingly, the performance of each product is weighted similarly when considering the MEB's combined product performance.

Lending To Borrowers of Different Incomes

MEB's HMDA borrower distribution performance during 2014 and 2015 is considered excellent. Similarly, its consumer lending performance during 2016 is also considered excellent.

Distribution of HMDA Loans by Income Level of Borrower

Wise, VA NonMSA (2015)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
HMDA Totals								
Low	28	34.6	646	18.9	119	14.5	3,614	5.9
Moderate	21	25.9	627	18.3	199	24.2	10,231	16.7
Middle	14	17.3	572	16.7	216	26.3	16,602	27.0
Upper	18	22.2	1,578	46.1	288	35.0	30,942	50.4
Total	81	100.0	3,423	100.0	822	100.0	61,389	100.0
Unknown	6		525		92		10,127	

Percentages (%) are calculated on all loans where incomes are known

When considering its overall HMDA lending performance, MEB's lending to low-income borrowers (34.6%) substantially exceeded the aggregate level of lending to such borrowers (14.5%) and the proportion of low-income families (26.6%). The bank's level of lending to moderate-income borrowers (25.9%) exceeded both the percentage of area moderate-income families (21.6%) and the aggregate level of lending (24.2%). The bank's overall performance during 2015 is considered excellent primarily because of the strength of its low-income borrower lending performance. The bank's performance during 2014 is substantially similar.

Distribution of Consumer Loans by Income Level of Borrower

Wise, VA NonMSA (2016)				
Income Categories	Consumer Loans			
	#	%	\$(000s)	% \$
Low	74	53.6	415	35.3
Moderate	31	22.5	325	27.7
Middle	29	21.0	385	32.8
Upper	4	2.9	50	4.2
Total	138	100.0	1,175	100.0
Unknown	0		0	

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

During 2016, the bank's level of consumer motor vehicle lending to low-income borrowers (53.6%) substantially exceeded the proportion of area low-income households (31%). In addition, the bank's lending to moderate-income borrowers (22.5%) also exceeded the proportion of moderate-income households in the assessment area (17.9%). The bank's overall performance is considered excellent based on the performance to low-income individuals.

Geographic Distribution of Loans

There are no low-income census tracts within the assessment area. The bank's HMDA and consumer geographic distribution performances within moderate-income tracts are considered excellent.

Distribution of HMDA Loans by Income Level of Census Tract

Wise, VA NonMSA (2015)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
	(27) Home Purchase				(362)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	20	74.1	1,300	76.0	172	47.5	14,468	44.1
Middle	4	14.8	251	14.7	142	39.2	12,743	38.8
Upper	3	11.1	160	9.3	48	13.3	5,596	17.1
	(23) Refinance				(315)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	16	69.6	960	62.0	142	45.1	13,083	39.7
Middle	5	21.7	256	16.5	138	43.8	14,900	45.2
Upper	2	8.7	333	21.5	35	11.1	5,011	15.1
	(37) Home Improvement				(233)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	32	86.5	366	53.2	124	53.2	2,460	46.7
Middle	4	10.8	309	44.9	94	40.3	2,437	46.2
Upper	1	2.7	13	1.9	15	6.5	374	7.1
	(0) Multi-Family				(4)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	3	75.0	340	76.6
Middle	0	0.0	0	0.0	1	25.0	104	23.4
Upper	0	0.0	0	0.0	0	0.0	0	0.0
	HMDA Totals							
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	68	78.2	2,626	66.5	441	48.2	30,351	42.4
Middle	13	14.9	816	20.7	375	41.0	30,184	42.2
Upper	6	6.9	506	12.8	98	10.8	10,981	15.4
NA*	NA	NA	NA	NA	NA	NA	NA	NA
Total	87	100.0	3,948	100.0	914	100.0	71,516	100.0

NA*-Tracts without household or family income as applicable

During 2015, home improvement, home purchase and refinance lending were primary HMDA products extended by the bank, while aggregate lenders extended mostly home purchase and refinance loans. Multi-family lending was not a factor in the analysis because of limited lending within the assessment area by the aggregate lenders. Considering both demographic and aggregate proxies for demand, the bank's performance in moderate-income tracts for home purchase, refinance, and home improvement loans is excellent.

The bank's level of lending within moderate-income census tracts (78.2%) substantially exceeded the proportion of owner-occupied housing units located in such areas (52.9%) and the aggregate lending level (48.2%). As a result, MEB's performance during 2015 is considered excellent, and its 2014 performance is substantially similar.

Distribution of Consumer Loans by Income Level of Census Tract

Wise, VA NonMSA (2016)				
Income Categories	Consumer Loans			
	#	%	\$(000s)	% \$
Low	NA	NA	NA	NA
Moderate	97	70.3	871	74.1
Middle	32	23.2	229	19.5
Upper	9	6.5	75	6.4
NA*	NA	NA	NA	NA
Total	138	100.0	1,175	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 (70.3%) substantially exceeds the percentage of households within the moderate-income census tracts (52.4%). Therefore the bank's performance is considered excellent.

STATE OF TENNESSEE

CRA RATING FOR TENNESSEE: Needs to Improve

Major factors supporting the rating include:

- The bank's lending to borrowers of different income levels is considered very poor for HMDA loans and reasonable for consumer lending. Overall, the borrower lending performance is considered poor.
- The bank's geographic distribution performance is considered reasonable for HMDA lending and poor for consumer motor vehicle lending. Overall, the geographic distribution of lending is considered reasonable.

SCOPE OF EXAMINATION

The bank delineated one assessment area (Johnson City, TN) in the State of Tennessee. Statewide ratings for Tennessee are based solely on the bank's performance in this assessment area.

HMDA and consumer motor vehicle secured loans were analyzed to determine the bank's performance regarding the borrower and geographic distributions of lending. The HMDA data are from calendar years 2014 and 2015, while the consumer data is based on a sample from calendar year 2016.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN JOHNSON CITY, TN ASSESSMENT AREA

The bank's assessment area is located in eastern Tennessee and includes a portion of Washington County, Tennessee (i.e. census tracts 0614.01 – 0616.02). The bank operates one branch in the assessment area. According to 2010 ACS data, the assessment area has a population of 31,407 and a median housing value of \$156,482. The owner-occupancy rate for the assessment area (72.1%) is higher than the rate for the entire Johnson City, TN MSA (61.2%) and the State of Tennessee (61.4%). Within the assessment area, 6.4% of families are considered below the poverty level, which is significantly less than the rate for the whole MSA (14.1%) and the state (12.4%). Recent area median family incomes are detailed in the following table.

Area	Median Family Incomes		
	2014	2015	2016
Johnson City, TN MSA	\$51,300	\$52,400	\$49,800

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

Assessment Area Demographics

Johnson City, TN (Based on 2010 ACS Data and 2015 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	1,056	11.9
Moderate	0	0.0	0	0.0	0	0.0	1,469	16.6
Middle	3	60.0	4,481	50.6	343	7.7	1,807	20.4
Upper	2	40.0	4,374	49.4	227	5.2	4,523	51.1
NA	0	0.0	0	0.0	0	0.0		
Total	5	100.0	8,855	100.0	570	6.4	8,855	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	1,632	13.3
Moderate	0	0.0	0	0.0	0	0.0	1,468	12.0
Middle	4,919	49.9	6,301	51.5	625	9.9	2,224	18.2
Upper	4,945	50.1	5,936	48.5	482	8.1	6,913	56.5
NA	0	0.0	0	0.0	0	0.0		
Total	9,864	100.0	12,237	100.0	1,107	9.0	12,237	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	0	0.0	0	0.0	0	0.0	0	0.0
Middle	629	48.2	596	48.5	29	42.0	4	50.0
Upper	676	51.8	632	51.5	40	58.0	4	50.0
NA	0	0.0	0	0.0	0	0.0	0	0.0
Total	1,305	100.0	1,228	100.0	69	100.0	8	100.0
Percentage of Total Businesses:			94.1		5.3		0.6	

*NA-Tracts without household or family income as applicable

The local economy has a diversified employment and industrial base. The area's major employers include Mountain States Health Alliance, East Tennessee State University, James H. Quillen VA Medical Center, Citi Group, Advanced Call Center Technologies, local government, and the area school system. Current and recent periodic unemployment rates are included in the following table.

Unemployment Rate Trend				
Geographic Area	Dec 2013	Dec 2014	Dec 2015	Dec 2016
Washington County	6%	5.5%	5.3%	5%
Johnson City, TN MSA	6.7%	6%	5.8%	5.5%
Tennessee	6.5%	5.8%	5.3%	4.9%

As indicated by the data in the preceding table, area unemployment rates declined during the recent four-year period. While the current unemployment rate in Washington County slightly exceeds the statewide unemployment rate, the county's unemployment remains favorable in comparison to the Johnson City, TN MSA's rate. Given the comparatively favorable unemployment rates within the assessment area, local unemployment levels should not impair the bank's ability to extend safe and sound loans within this assessment area.

An official from a community development organization was recently contacted to discuss local economic conditions and area credit needs. The contact stated that economic conditions continue to improve and attributed the improving conditions to an active shopping district and the investment of capital in local businesses and development projects. Nonetheless, the individual advocated for a more educated workforce, including skilled laborers. The contact indicated that local financial institutions are adequately serving the needs of the local market.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

MEB's lending activity level within the assessment area is low. During 2015, MEB reported originating one \$220,000 residential mortgage loan. Based on the sampled consumer automobile loans, it is estimated that the bank extended \$55,000 in consumer motor vehicle loans during 2016. Consequently, MEB's HMDA lending performance is afforded more weight when considering overall combined product performance.

Lending to Borrowers of Different Incomes

MEB's borrower distribution performance is considered very poor for residential mortgage (HMDA) loans and reasonable for consumer lending. Overall, the borrower lending performance is considered poor.

Distribution of HMDA Loans by Income Level of Borrower

Johnson City, TN (2015)								
Income Categories	Bank				Aggregate			
	#	%	\$ (000s)	% \$	#	%	\$ (000s)	% \$
HMDA Totals								
Low	0	0.0	0	0.0	46	5.0	3,533	2.2
Moderate	0	0.0	0	0.0	145	15.6	15,602	9.9
Middle	1	100.0	220	100.0	211	22.8	29,165	18.5
Upper	0	0.0	0	0.0	525	56.6	109,513	69.4
Total	1	100.0	220	100.0	927	100.0	157,813	100.0
Unknown	0		0		224		41,036	

Percentages (%) are calculated on all loans where incomes are known

During 2015, the bank originated one home purchase loan to a middle-income borrower. Within this assessment area, 11.9% and 16.6% of families have low- and moderate-incomes, respectively. According to aggregate data, 5% and 15.6% of reported loans were to low- and moderate-income borrowers. The demographic and aggregate data indicate that lending opportunities exist with area low- and moderate-income residents. Given that opportunities reasonably exist to originate loans to low- and moderate-income borrowers, MEB's lack of such lending during 2015 is very poor, and its performance during 2014 is similar.

Distribution of Consumer Loans by Income Level of Borrower

Johnson City, TN (2016)				
Income Categories	Consumer Loans			
	#	%	\$(000s)	% \$
Low	1	50.0	12	75.0
Moderate	0	0.0	0	0.0
Middle	0	0.0	0	0.0
Upper	1	50.0	4	25.0
Total	2	100.0	16	100.0
Unknown	0		0	

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

Of the two consumer motor vehicle loans that the bank originated during 2016, one was extended to a low-income borrower (50%) and none were made to moderate-income borrowers. According to demographic data, 13.3% of area households are low-income and 12% are moderate-income. While the bank's borrower lending performance to a low-income borrower is excellent, it's lending to moderate-income borrowers is very poor. Overall, MEB's consumer lending performance by borrower distribution is considered reasonable.

Geographic Distribution of Loans

As indicated in the demographic table, there are no low- or moderate-income census tracts within the assessment area; however, there are three middle- and two upper-income census tracts. Consequently, the distribution of the bank's lending in middle- and upper-income census tracts is considered in this evaluation. MEB's HMDA distribution is considered reasonable, while its consumer lending is poor. Overall, the bank's geographic distribution performance is considered reasonable and reflects greater weight afforded to HMDA lending because of the larger dollar volume of lending within this assessment area.

Distribution of HMDA Loans by Income Level of Census Tract

Johnson City, TN (2015)								
In come e Categories	Bank				Aggregate			
	#	%	\$ (000s)	% \$	#	%	\$ (000s)	% \$
	(1) Home Purchase				(691)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	NA	NA	NA	NA	NA	NA	NA	NA
Middle	1	100.0	220	100.0	345	49.9	62,165	48.1
Upper	0	0.0	0	0.0	346	50.1	67,172	51.9
	(0) Refinance				(383)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	NA	NA	NA	NA	NA	NA	NA	NA
Middle	0	0.0	0	0.0	190	49.6	30,110	48.2
Upper	0	0.0	0	0.0	193	50.4	32,364	51.8
	(0) Home Improvement				(70)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	NA	NA	NA	NA	NA	NA	NA	NA
Middle	0	0.0	0	0.0	33	47.1	1,692	40.5
Upper	0	0.0	0	0.0	37	52.9	2,486	59.5
	(0) Multi-Family				(7)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	NA	NA	NA	NA	NA	NA	NA	NA
Middle	0	0.0	0	0.0	4	57.1	1,142	39.9
Upper	0	0.0	0	0.0	3	42.9	1,718	60.1
	HMDA Totals							
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	NA	NA	NA	NA	NA	NA	NA	NA
Middle	1	100.0	220	100.0	572	49.7	95,109	47.8
Upper	0	0.0	0	0.0	579	50.3	103,740	52.2
NA *	NA	NA	NA	NA	NA	NA	NA	NA
Total	1	100.0	220	100.0	1,151	100.0	198,849	100.0

NA *-Tracts without household or family income as applicable

During 2015, the bank reported originating one loan totaling \$220,000 in a middle-income census tract. Within this assessment area, 49.9% of owner-occupied housing units are located in middle-income census tracts, and 49.7% of aggregate reporter lending occurred in middle-income census tracts. This level of lending is considered reasonable.

During 2014, the bank originated one loan (home purchase) totaling \$25,000 in an upper-income census tract. MEB did not originate any loans in the middle-income census tracts during 2014 despite approximately one-half (51.5%) of the aggregate reporters lending occurring in such census tracts. The bank's level of lending during 2014 is considered poor.

Overall, the HMDA lending geographic distribution performance is considered reasonable. In reaching this conclusion, more weight was placed on the bank's performance during 2015 because of the larger dollar of lending during that year when compared to the bank's dollar volume of lending during 2014.

Distribution of Consumer Loans by Income Level of Census Tract

Johnson City, TN (2016)				
Income Categories	Consumer Loans			
	#	%	\$(000s)	% \$
Low	NA	NA	NA	NA
Moderate	NA	NA	NA	NA
Middle	0	0.0	0	0.0
Upper	2	100.0	16	100.0
NA*	NA	NA	NA	NA
Total	2	100.0	16	100.0

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

Loans where the geographic location is unknown are excluded from this table.

During 2016, the bank extended two consumer loans totaling \$100,000 in upper-income census tracts. The bank did not originate any consumer loans in any middle-income census tracts. According to demographic data, 51.5% and 48.5% of households are located in middle- and upper-income census tracts, respectively. The bank's level of lending is considered poor because of the bank's lack of lending in middle-income census tracts.

CRA APPENDIX A
SCOPE OF EXAMINATION

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED¹	OTHER INFORMATION
Wise, VA NonMSA	Full Scope	483 Front Street Coeburn, VA 24230	None
Johnson City, TN	Full Scope	5575 Bobby Hicks Hwy Johnson City, TN 37615	None

SUMMARY OF STATE RATINGS

State Name	Overall State Rating
Commonwealth of Virginia	Outstanding
Tennessee	Needs to Improve

¹ There is a statutory requirement that the written evaluation of a multistate institution's performance must list the individual branches examined in each state.

CRA APPENDIX B

LOAN, BRANCH AND DEPOSIT VOLUME BY ASSESSMENT AREA

The following table includes 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, 2016, while the loan volume includes all HMDA and consumer motor vehicle loans considered in the evaluation.

Assessment Area	Loan Volume				Branches		Deposit Volume	
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Wise, VA NonMSA	315	98.7%	\$9,204	97.2%	5	83.3%	\$91,701	96.3%
Johnson City, TN	4	1.3%	\$261	2.8%	1	16.7%	\$3,508	3.7%
Total	319	100%	\$9,465	100%	6	100%	\$95,209	100%

CRA APPENDIX C

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.

Loans, investments, and services that-

- (i) Support, enable or facilitate projects or activities that meet the "eligible uses" criteria described in Section 2301(c) of the Housing and Economic Recovery Act of 2008 (HERA), Public Law 110-289, 122 Stat. 2654, as amended, and are conducted in designated target areas identified in plans approved by the United States Department of Housing and Urban Development in accordance with the Neighborhood Stabilization Program (NSP);
- (ii) Are provided no later than two years after the last date funds appropriated for the NSP are required to be spent by grantees; and
- (iii) Benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or areas outside the bank's assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

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.