

PUBLIC DISCLOSURE

February 26, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Big Stone Gap Bank and Trust Company

05-51-0235

P. O. Box 580

Big Stone Gap, Virginia 24219

Federal Reserve Bank of Richmond

P. O. Box 27622

Richmond, Virginia 23261

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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each Federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Big Stone Gap Bank and Trust Company prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of February 26, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A of 12 CFR Part 228.

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

Big Stone Gap Bank and Trust Company at least meets the expectations for satisfactory performance in each of the assessment criteria. No complaints have been reported concerning the institution's performance in meeting community credit needs.

The following table indicates the performance level of Big Stone Gap Bank and Trust Company with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>BIG STONE GAP BANK AND TRUST COMPANY</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to businesses of Different sizes	X		
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

Big Stone Gap Bank and Trust Company has one office in Big Stone Gap, Virginia, an area located in the southwestern portion of the Commonwealth bordered by Kentucky and Tennessee. As of December 31, 1995, the institution had total assets of \$22 million. The bank's primary lending focus is consumer credit with nearly 80% of its portfolio composed of consumer loans and loans secured by one- to four-family residential properties. Commercial loans, however, for a variety of business needs are available.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area is located within the LENOWISCO Planning District, an area composed of the City of Norton and Lee, Wise and Scott Counties. The institution defines its assessment area as the entire City of Norton as well as the following Block Numbering Areas (BNAs):

<u>Lee County</u>	<u>Wise County</u>
9901	9911
9902	9912
	9913
<u>Scott County</u>	9918.98
302	9919.98
303.98	9918.97
	9914.98
	9909.98

The LENOWISCO Planning District had a 1990 census count of 91,520 people. According to census data, the minority populations for the localities included in the LENOWISCO Planning District are 256 (1%) for Lee County, 242 (1%) for Scott County, 977 (2.5%) for Wise County, and 347 (8%) for the City of Norton. The census data also indicate that approximately 50% of families are considered to be low- or moderate-income families. The local economy depends largely on the coal mining industry and was adversely affected recently by the closing of an area coal mine. The mine was a major employer for the region, and roughly 750 jobs were lost due to the closing. Although efforts are being made to attract new business to the area, the economy remains weak. As of December 1995, LENOWISCO Planning District had an unemployment rate of 12.2% while the City of Norton and Lee, Scott and Wise Counties had unemployment rates of 9.8%, 11%, 8.8% and 15.3% respectively. Area jobless rates are significantly higher than the rate for the Commonwealth (4.1%). A community contact was also performed during the examination to assist in evaluating the bank's CRA performance.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT RATIO

The bank's average loan-to-deposit ratio for the previous six quarters was approximately 37%. As previously mentioned, economic conditions for the area have been sluggish, and as a result, loan demand has been flat. The ratio is considered reasonable given the institution's size, financial condition, and location, and current economic conditions.

LENDING IN ASSESSMENT AREA

A sample of 88 recently extended unsecured consumer loans was reviewed to determine the bank's lending distribution within its assessment area. As illustrated in the chart below, a large majority of the number and dollar amounts of the sampled loans have been provided to residents of the assessment area.

Comparison of Credit Extended Inside and Outside of the Assessment Area

	Inside Assessment Area	Outside Assessment Area	Total
Total Number of Loans	85	3	88
Percentage of Total Loans	97%	3%	100%
Total Amount of Loans (000s)	\$165	\$5	\$170
Percentage of Total Amount	97%	3%	100%

LENDING TO BORROWERS OF DIFFERENT INCOMES

The following table indicates that a majority of unsecured consumer loans sampled within the assessment area were extended to low- and moderate-income borrowers. The volume of this lending to low- and moderate-income residents (74%) exceeds the proportion of such residents (50%) in the assessment area. Moreover, a majority of the total dollar amount of loans extended (62%) were to these borrowers.

Distribution of Loans in Assessment Area by Income Level of Borrower

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	35	28	15	7	85
Percentage of Total Loans	41%	33%	18%	8%	100%
Total Amount of Loans (000s)	\$41	\$62	\$41	\$21	\$165
Percentage of Total Amount	25%	37%	25%	13%	100%

GEOGRAPHIC DISTRIBUTION OF LOANS

The review of loan files also included an analysis of lending among various BNAs within the institution's assessment area. The table below displays total loan penetration throughout the market based on the sample of 85 unsecured consumer loans. Of the seven low-income BNAs located in the assessment area, none were populated and 47% of the population reside in moderate-income BNAs.

Distribution of Loans in Assessment Area by Income Level of BNA

	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	20	62	3	85
Percentage of Total Loans	24%	73%	4%	100%
Total Amount of Loans (000s)	\$26.6	\$134.9	\$3.5	\$165
Percentage of Total Amount	16%	82%	2%	100%

COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATION

No credit practices inconsistent with the substantive provisions of the fair housing and fair lending laws and regulations were identified. Violations of the technical aspects of the Equal Credit Opportunity Act's Regulation B were noted. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.