

PUBLIC DISCLOSURE

October 1, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

MINERS EXCHANGE BANK

05510643

P. O. Box 1197

Coeburn, Virginia 24230

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 Miners Exchange Bank, Coeburn, Virginia, prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of October 1, 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 Outstanding.

The bank's loan-to-deposit ratio is considered reasonable given its financial capacity and location. The institution's high level of lending within the assessment area, particularly to low- and moderate-income borrowers, demonstrates an outstanding level of performance. Lending to low- and moderate-income borrowers represented 88% of the loans sampled during the examination. Although there are no populated low-income BNAs within the assessment area, a substantial majority of the sampled loans were to persons residing in moderate-income census tracts or BNAs.

The following table indicates the performance level of Miners Exchange Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Miners Exchange Bank</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

Miners Exchange Bank operates four offices in Wise County and one office in Russell County, Virginia. Two of these branch locations have been opened since the previous examination. As of June 30, 1996, the bank had total assets of \$58.1 million, of which 53% were loans. Various loan products are available through the institution and include credit for residential mortgage, consumer, and commercial purposes. The primary lending focus, however, is consumer credit. The loan portfolio as of June 30, 1996, was comprised of the following: 67% consumer, 30% real estate secured, and 3% commercial. The institution's previous CRA rating was satisfactory.

DESCRIPTION OF ASSESSMENT AREA

The assessment area includes the Counties of Wise and Dickenson, the City of Norton, and portions of Scott and Russell Counties as follows:

<u>Scott County</u>	<u>Russell County</u>
301.00	9,902.00
303.98	9,903.00
304.00	9,904.00
305.00	9,905.00
306.00	9,906.00

There are a total of 36 census tracts and/or block numbering areas (BNAs) in the assessment area of which 27 are populated. Of the populated areas, 17 are moderate-income, nine are middle-income, and one is upper-income. The population of the local community is 103,587, and the area is primarily rural. The economies of Wise, Dickenson, and Russell Counties and the City of Norton have historically been dependent on the coal mining industry. Due to increased automation and a declining supply of coal reserves, however, this industry offers fewer job opportunities. As a result, current unemployment rates are relatively high (Wise-13.9%, Dickenson-20.3%, Russell-11.3%, Norton-8.8%) as compared to the Commonwealth's rate of 4%. Efforts are being made by local government and community leaders to attract new business to the area to help strengthen the economy.

Scott County has an unemployment rate of 6.5% and is located within the Bristol Metropolitan Statistical Area (MSA). Local manufacturing companies and agribusiness provide a number of jobs to area residents. The major manufacturing employers in the area include Westinghouse Electric Corporation, Bristol Compressors, Inc., Camac Corporation, Mid-Mountain Foods, Columbus McKinnon Corporation, and U. S. Gypsum, Inc. A community contact was performed with a local government official to further assist in evaluating the bank's CRA performance. Information gathered from the contact revealed that the local economy remains weak due to the declining coal mining industry.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT RATIO

The average loan-to-deposit ratio for the previous five quarters is 60% and is considered reasonable given the bank's location, financial capacity, size and current local economic conditions. The bank's level of lending is responsive to the area's loan demand. The average loan-to-deposit ratio for banks head-quartered in nonmetropolitan areas of Virginia and of similar size to Miners Exchange Bank is 67%.

LENDING IN ASSESSMENT AREA

A review of 145 consumer loans was conducted to determine the volume of lending within the bank's assessment area. Since the area is primarily rural, customer addresses are often given as post office boxes. Consequently, the consumer's exact residential location cannot be specifically determined. Therefore, only 94 of the 145 loans had adequate addresses that could be geocoded. As illustrated in the following chart, a substantial majority of the number and dollar amounts of the sampled loans have been provided to residents in the area.

Comparison of Credit Extended Inside and Outside of Assessment Area

	Inside Assessment Area	Outside Assessment Area	Total
Total Number of Loans	87	7	94
Percentage of Total Loans	93%	7%	100%
Total Amount of Loans (000's)	\$239	\$16	\$255
Percentage of Total Amount	94%	6%	100%

A further analysis of the remaining 51 consumer loans, where only a post office address was provided, revealed that all of these loans appeared to be from within the assessment area.

LENDING TO BORROWERS OF DIFFERENT INCOMES

The following chart illustrates the distribution of consumer loans extended in the assessment area by income level of borrower. Of these 138 loans, a majority were extended to low- and moderate-income borrowers.

Distribution of Loans by Income Level of Borrower

Consumer Loans

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	87	34	15	2	138
Percentage of Total Loans	63%	25%	11%	1%	100%
Total Amount of Loans (000's)	\$262	\$146	\$82	\$25	\$515
Percentage of Total Amount	51%	28%	16%	5%	100%

The volume of this lending to low- and moderate-income residents (88%) substantially exceeds the proportion of such families (31% low-income and 20% moderate-income) in the assessment area. Furthermore, a majority of the dollar amount of loans extended (79%) were to these borrowers. Middle- and upper-income families make up 20% and 29% of the local community, respectively.

GEOGRAPHIC DISTRIBUTION OF LOANS

The review of loan files also included an analysis of lending among various census tracts and BNAs within the institution's assessment area. As previously stated, 51 of the 145 loans sampled could not be used in the geographic distribution analysis. Of the nine low-income BNAs located in the assessment area, none are populated. The chart below illustrates a substantial majority (83%) of consumer loans were extended to individuals residing in moderate-income areas.

Distribution of Loans in Assessment Area by Income Level of Census Tract

Consumer Loans

	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	72	12	3	87
Percentage of Total Loans	83%	14%	3%	100%
Total Amount of Loans (000's)	\$183	\$53	\$4	\$240
Percentage of Total Amount	76%	22%	2%	100%

The high concentration of lending (83%) in moderate-income areas is consistent with the population that resides (62%) in such areas. The percentage of population residing in middle- and upper-income census tracts and BNAs is 34% and 4%, respectively.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS

No credit practices inconsistent with the substantive provisions of the fair housing and fair lending laws and regulations were identified. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending and credit activities.