

PUBLIC DISCLOSURE

February 18, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

James River Bank

05512980

Post Office Box 47

Waverly, Virginia

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 James River Bank prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of February 18, 1997. 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.

The bank's loan-to-deposit ratio appears reasonable given its financial capacity and demand for credit in the area. A majority of loans sampled during the examination were extended within the assessment area, and a significant portion were to low- and moderate-income borrowers. The penetration of loans throughout the market meets expectations for a satisfactory performance given the institution's size, branch locations, and demographics of the area.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>James River 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 have been received since the prior examination.		

DESCRIPTION OF INSTITUTION

James River Bank is headquartered in Waverly, Virginia, and operates four offices located in Sussex County, the City of Franklin, and Southampton County. Two of the branches, with deposits in excess of \$34 million, were acquired on March 25, 1996. As of December 31, 1996 the bank had assets of \$95.7 million, of which 39% were loans. Various deposit and loan products are available through the institution, including loans for residential mortgage, consumer, business, and agricultural purposes. The loan portfolio as of December 31, 1996, was comprised of the following: 56% real estate secured (consumer and business), 32% commercial, and 12% consumer. Based on the number of loans extended during the previous six months, consumer unsecured loans were identified as a principal credit product offered by the bank. The institution's previous CRA rating was satisfactory.

DESCRIPTION OF ASSESSMENT AREA

The assessment area is located approximately 50 miles southeast of Richmond, Virginia, and is bounded by the James River to the east and the State of North Carolina to the south. It includes all of Southampton County and the City of Franklin as well as portions of Isle of Wight, Surry, and Sussex Counties as follows:

<u>Isle of Wight County</u>	<u>Surry County</u>	<u>Sussex County</u>
2804.00	8602.00	8702.00
		8703.00
		8704.00

Fifteen census tracts are included within the assessment area, of which two are unpopulated. Of the 13 populated tracts, one is moderate-income, nine are middle-income, and three are upper-income. The census tract in Isle of Wight County, the only tract in the assessment area included in a Metropolitan Statistical Area (MSA), is located in the Norfolk-Virginia Beach-Newport News MSA. While the community is readily accessible to larger metropolitan areas, it is predominately rural. The economy depends primarily on agriculture, meat processing, and timber production. Spurlock Industries, Carroll Foods, Union Camp, Southampton Memorial Hospital, and several prisons are other large employers. The 1996 median family incomes for nonmetropolitan areas within the Commonwealth of Virginia and the Norfolk MSA are \$33,600 and \$42,100, respectively. Recent unemployment figures for the area are mixed with Southampton County at 3.9%, the City of Franklin at 4.8%, and Sussex County at 6.9%. The jobless rate for the Commonwealth is 3.9%.

A community contact was performed with a representative from a local economic development organization to further assist in evaluating the bank's CRA performance. The contact indicated that there is demand for housing related and small business loans and that the local banks have been active in meeting these credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT RATIO

The average loan-to-deposit ratio during the previous six quarters is 45% and is considered reasonable given the institution's financial capacity, size, and current economic conditions. As previously mentioned, in March of 1996 the bank acquired two new bank branches and their deposits. This acquisition increased deposits by 77% and diluted the bank's overall average loan-to-deposit ratio. Prior to purchasing these two new branches, the bank's loan-to-deposit ratio was 62.5% (two quarter average) and has steadily increased from 34% in March of 1996 to 44% as of December 31, 1996. The average loan-to-deposit ratio for banks headquartered in nonmetropolitan areas of Virginia and of similar size to James River Bank is 68%. Further, the average loan-to-deposit ratio for banks of similar asset size headquartered in Southeastern Virginia is 62%.

LENDING IN ASSESSMENT AREA

To determine the institution's volume of lending within the assessment area, a sample of 111 unsecured consumer loans extended during the previous six months was reviewed. The lending distribution is represented in the following table.

Comparison of Credit Extended Inside and Outside of Assessment Area

	Inside Assessment Area	Outside Assessment Area	Total
Total Number of Loans	88	23	111
Percentage of Total Loans	79%	21%	100%
Total Amount of Loans (000s)	\$181	\$45	\$226
Percentage of Total Amount	80%	20%	100%

As illustrated above, a substantial majority of the number and dollar amounts of the sampled loans were provided to residents of the assessment area.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

The following chart illustrates the distribution of the 88 consumer unsecured loans extended in the assessment area by income level of borrower.

Distribution of Loans by Income Level of Borrower

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	44	22	13	9	88
Percentage of Total Loans	50%	25%	15%	10%	100%
Total Amount of Loans (000)	\$73	\$33	\$33	\$41	\$180
Percentage of Total Loans	41%	18%	18%	23%	100%

As a means of comparison, the chart below depicts the distribution of assessment area families according to low-, moderate-, middle-, and upper-income levels.

Percentage of Families in Assessment Area by Income Level

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Percentage of Families	22%	16%	21%	41%	100%

When compared to the distribution of area families by income level, the bank's volume of lending to low- and moderate-income borrowers (75%) substantially exceeds the proportion (38%) of such families in the community.

GEOGRAPHIC DISTRIBUTION OF LOANS

The review of loan files also included an analysis of lending among census tracts within the institution's assessment area. As mentioned previously, the assessment area contains 13 populated census tracts including one moderate-income tract, nine middle-income tracts, and three upper-income tracts. The following chart depicts the geographic distribution of the sampled unsecured consumer loans extended to residents of the assessment area.

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

	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	2	78	8	88
Percentage of Total Loans	2%	89%	9%	100%
Total Amount of Loans	\$2	\$140	\$39	\$181
Percentage of Total Loans	1%	77%	22%	100%

In the bank's assessment area, 11% of the population resides in the moderate-income census tract, 64% in middle-income tracts, and 25% in upper-income tracts. Only 2% of the loans sampled were extended to residents of the moderate-income census tract. However, the only moderate-income tract within the assessment area is located in the City of Franklin, which is part of the new market area acquired through the addition of the two branches in March 1996. Consequently, this lower penetration rate is considered reasonable as the bank has just started serving this new segment of its market. The remaining 98% of loans sampled were extended to borrowers residing in middle- or upper-income tracts, while 89% of the population resides in these areas. The geographic distribution of loans is reasonable given the demographics of the local area and the bank's branch locations.

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.