

PUBLIC DISCLOSURE

April 6, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Blue Ridge Bank

05371880

P. O. Box 520

Sparta, North Carolina 28675

Federal Reserve Bank of Richmond

P. O. Box 27622

Richmond, Virginia 23261

NOTE: 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 CRA performance of Blue Ridge Bank, Sparta, North Carolina, prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of April 6, 1998. 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 is considered reasonable given its financial capacity and location, and a majority of loans sampled during the examination were provided to residents of the assessment areas. The institution's lending to borrowers of different incomes exceeds standards for satisfactory performance. Additionally, the geographic distribution of loans is considered appropriate given the bank's resources, branch locations, and demographics of its local communities.

DESCRIPTION OF INSTITUTION

Blue Ridge Bank is headquartered in the Town of Sparta, North Carolina, and operates three full-service branches in the Towns of Elkin, Hayes, and Taylorsville. Sparta, Elkin, Hayes, and Taylorsville are respectively located in Alleghany, Surry, Wilkes, and Alexander Counties, North Carolina. The institution is a subsidiary of FCFT, Inc., a multibank holding company located in the City of Princeton, West Virginia. As of December 31, 1997, the bank had total assets of \$123 million, of which 54% were loans. From September 30, 1996, through December 31, 1997, total assets, loans, and deposits grew at respective rates of 19%, 3%, and 8%. Various credit products are available through the institution including residential mortgage, home improvement, consumer, business, and agricultural loans. The loan portfolio as of December 31, 1997, was comprised of 64% real estate secured (consumer and business), 19% consumer, and 17% commercial/agricultural loans. Based on the number and dollar amounts of loans extended during the previous six months, motor vehicle secured consumer loans and commercial/agricultural loans were identified as the principal credit products offered by the bank. The institution's previous CRA rating (assigned by another regulatory agency) was satisfactory.

DESCRIPTION OF METROPOLITAN ASSESSMENT AREA

The bank serves two assessment areas located in the northwestern portion of North Carolina. The first assessment area, located within the Hickory, North Carolina Metropolitan Statistical Area (MSA), contains one office serving Alexander County, North Carolina. This assessment area consists of seven middle-income census tracts. According to 1990 census data, Alexander County has a population of 27,544 and a median housing value of \$58,012. The 1998 median family income for the MSA is \$41,200. The following table provides demographics for the metropolitan assessment area by the income level of families and the percentage of population living in census tracts of varying income levels.

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Percentage of Area Families by Income Level	18%	19%	26%	37%	100%
Percentage of Population Residing in Census Tracts by Income Level	0%	0%	100%	0%	100%

DESCRIPTION OF NONMETROPOLITAN ASSESSMENT AREA

The bank has three offices serving the second assessment area which includes Alleghany, Surry, and Wilkes Counties, North Carolina. This nonmetropolitan assessment area contains 27 block numbering areas (BNAs), of which two are moderate-income and 25 are middle-income. There are no low- or upper-income geographies within this market. According to 1990 census data, this assessment area has a population of 130,687 and a median housing value of \$50,609. The 1998 median family income for nonmetropolitan areas within North Carolina is \$36,100. The following table provides demographics for the nonmetropolitan assessment area by the income level of families and the percentage of population living in BNAs of varying income levels.

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Percentage of Area Families by Income Level	19%	19%	25%	37%	100%
Percentage of Population Residing in Census Tracts by Income Level	0%	7%	93%	0%	100%

The bank's assessment areas are contiguous and located in the northwestern portion of North Carolina. This region is primarily rural. The local economy consists of agriculture, manufacturing, service, and tourism industries. As of December 1997, the unemployment rates for Alexander, Alleghany, Surry, and Wilkes Counties were 2.6%, 6.1%, 4.0%, and 3.9%, respectively. By comparison, the jobless rate for the State of North Carolina is 3.6%.

A local government official was contacted during the examination to further assist in evaluating the bank's CRA performance. The contact indicated that area banks are sufficiently meeting the credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT RATIO

The quarterly average loan-to-deposit ratio for banks headquartered in nonmetropolitan areas of North Carolina and of similar asset size to Blue Ridge Bank ranged from 77% to 84% for a six-quarter period ending December 31, 1997. The bank's loan-to-deposit ratio for the previous six quarters is 69% and is considered reasonable given the institution's financial capacity, size, and location. Current economic conditions suggest a steady demand for credit.

LENDING IN ASSESSMENT AREA

To determine the institution's volume of lending within both assessment areas, a sample of 84 motor vehicle secured consumer loans and 55 commercial/agricultural loans was reviewed. The samples were selected from approximately 146 motor vehicle secured consumer loans and 77 commercial/agricultural loans extended during the previous six months. The lending distribution is represented in the following table.

Comparison of Credit Extended Inside and Outside of Assessment Areas

	Inside Assessment Areas	Outside Assessment Areas	Total
Total Number of Loans	118	21	139
Percentage of Total Loans	85%	15%	100%
Total Amount of Loans (000's)	\$2,141	\$519	\$2,660
Percentage of Total Amount	80%	20%	100%

As illustrated, a majority of the number and dollar amounts of the sampled loans were provided to residents of the assessment areas. The institutions level of lending within the assessment areas demonstrates a responsiveness to the local communities and is considered good.

LENDING TO BORROWERS OF DIFFERENT INCOMES

Metropolitan Assessment Area

The following chart illustrates the distribution of the sample of motor vehicle secured consumer loans originated within the metropolitan assessment area by the income level of the borrower.

Distribution of Loans by Income Level of Borrower - MSA

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	2	4	3	2	11
Percentage of Total Loans	18%	36%	27%	18%	100%
Total Amount of Loans (000's)	\$19	\$51	\$27	\$20	\$117
Percentage of Total Loans	16%	44%	23%	17%	100%

When compared to the distribution of area families by income, the percentage of automobile secured consumer loans extended to low- and moderate-income borrowers (54%) significantly exceeds the proportion (37%) of such families in Alexander County.

The table below depicts the distribution of the 11 commercial/agricultural loans extended within the metropolitan assessment area by size of the business.

Distribution of Loans by Size of Business

	Revenues \leq \$1 Million	Revenues $>$ \$1 Million	Total
Total Number of Loans	10	1	11
Percentage of Total Loans	91%	9%	100%
Total Amount of Loans (000s)	\$355	\$85	\$440
Percentage of Total Amount	81%	19%	100%

The percentage of credit extensions to businesses with gross revenues of \$1 million or less (91%) demonstrates the institution's willingness to meet the credit needs of area small businesses.

Nonmetropolitan Assessment Area

The following table portrays the distribution of automobile secured consumer loans originated within the nonmetropolitan assessment area by the income level of the borrower.

Distribution of Loans by Income Level of Borrower - NonMSA

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	20	20	11	8	59
Percentage of Total Loans	34%	34%	19%	13%	100%
Total Amount of Loans (000's)	\$159	\$138	\$84	\$83	\$464
Percentage of Total Loans	34%	30%	18%	18%	100%

The percentage of motor vehicle secured consumer loans extended to low- and moderate-income borrowers (68%) significantly exceeds the proportion (38%) of such families in the community.

The table below depicts the distribution of the 37 commercial/agricultural loans extended within the nonmetropolitan assessment area by size of the business.

Distribution of Loans by Size of Business

	Revenues \leq \$1 Million	Revenues $>$ \$1 Million	Total
Total Number of Loans	37	0	37
Percentage of Total Loans	100%	0%	100%
Total Amount of Loans (000s)	\$1,119	\$0	\$1,119
Percentage of Total Amount	100%	0%	100%

As illustrated above, all (100%) of the sampled commercial/agricultural loans extended within the banks nonmetropolitan community were provided to businesses with gross revenues of \$1 million or less. This distribution demonstrates the institution's exceptional performance to meet the credit needs of area small businesses.

The distribution of loans to borrowers of different incomes and to businesses of different sizes within both the metropolitan and nonmetropolitan assessment areas is considered good and indicates a responsiveness to local credit needs.

GEOGRAPHIC DISTRIBUTION OF LOANS

Metropolitan Assessment Area

As mentioned previously, the bank's metropolitan assessment area is composed of seven middle-income census tracts. Accordingly, 100% of the number and dollar amount of loans within the market were extended within in these geographies. Therefore, the distribution of lending by income level of geographies was not considered in evaluating the institution's CRA performance for this assessment area.

Nonmetropolitan Assessment Area

A review of the loan files included an analysis of lending among the various BNAs within the bank's nonmetropolitan assessment area. As previously discussed, there are no low- or upper-income geographies located within the market. The following tables illustrate the geographic distribution of the sampled consumer motor vehicle and commercial/agricultural loans according to income level of the BNA.

Distribution of Loans in Assessment Area by Income Level of BNA - NonMSA

Consumer Motor Vehicle Loans

	Moderate-Income	Middle-Income	Total
Total Number of Loans	5	54	59
Percentage of Total Loans	8%	92%	100%
Total Amount of Loans (000s)	\$34	\$431	\$465
Percentage of Total Loans	7%	93%	100%

Commercial/Agricultural Loans

	Moderate-Income	Middle-Income	Total
Total Number of Loans	4	33	37
Percentage of Total Loans	11%	89%	100%
Total Amount of Loans (000s)	\$243	\$876	\$1,119
Percentage of Total Loans	22%	78%	100%

Overall, 9% (9/96) of the sampled loans were extended in moderate-income census tracts. This level of lending slightly exceeds the percentage of the population residing in moderate-income areas (7%) and meets standards for satisfactory performance given the demographics of the assessment area.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS

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

