

PUBLIC DISCLOSURE

August 30, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

James River Bank
926324
209 W. Main Street
Waverly, Virginia 23890

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.

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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 James River Bank, Waverly, Virginia, prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of August 30, 1999. 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 demand for credit in the area. A majority of loans analyzed were to residents and businesses located in the bank's market. The institution's level of lending to low- and moderate-income individuals and to businesses with revenues of \$1 million or less is considered good. Additionally, the distribution of lending by income level of census tracts is considered adequate given the bank's resources, branch locations, and demographic characteristics of the local community. The bank has not received any complaints regarding its CRA performance since the previous examination.

DESCRIPTION OF INSTITUTION

James River Bank is headquartered in Waverly, Virginia, and operates four offices located in Sussex and Southampton Counties and the City of Franklin, Virginia. As of June 30, 1999, the bank had assets of approximately \$95 million, of which 55% were loans. The institution's business focus is commercial lending, however, various deposit and loan products are available through the institution, including loans for consumer, residential mortgage, and agricultural purposes. The loan portfolio as of June 30, 1999, was comprised of the following: 61% real estate secured (consumer and business), 27% commercial/agricultural, 10% consumer, and 2% other. Based on recent loan volume and the institution's market strategy, commercial/agricultural and consumer loans were identified as the institution's primary credit products. 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 and Sussex Counties, Virginia, and the City of Franklin, as well as census tract 2804.00 in Isle of Wight County and census tract 8602.00 in Surry County. The portion of Isle of Wight County contained in the assessment area is also included in the Norfolk-Virginia Beach-Newport News Metropolitan Statistical Area (MSA).

Of the 16 census tracts located in the assessment area, two are low-income, two are moderate-income, nine are middle-income, and three are upper-income. However, the two low-income geographies in the assessment area are not populated. According to 1990 census data, the assessment area has a population of 42,653 and an owner-occupancy rate of 63%. The owner-occupancy rate compares favorably to the Commonwealth's nonmetropolitan rate of 65% and is slightly higher than the MSA rate of 55%. The 1990 median housing value within the local community is \$56,174 and closely approximates the Commonwealth's nonmetropolitan value of \$57,266; however, the MSA value is substantially higher (\$86,151). The 1998 and 1999 median family incomes for nonmetropolitan areas of Virginia are \$35,900 and \$38,300, respectively. The 1998 and 1999 median family incomes for the MSA are \$44,600 and \$48,000, respectively.

The following table provides demographic information for the assessment area by the income level of families and the percentage of population living in census tracts of varying income levels. The percentage of owner-occupied units within the various geographies and the percentage of families below the poverty level are also provided.

| | Low- Income | Moderate- Income | Middle- Income | Upper- Income | Total |
|--|----------------|---------------------|-------------------|------------------|-------|
| Percentage of Area Families by Income Level | 23% | 16% | 21% | 40% | 100% |
| Percentage of Population Residing in Census Tracts by | | | | | |

| | | | | | |
|---|-----|-----|-----|-----|------|
| Income Level | 0% | 17% | 60% | 23% | 100% |
| Percentage of Owner-occupied Units | N/A | 14% | 60% | 26% | 100% |
| Percentage of Families Below Poverty by Income Level of Geography | N/A | 22% | 14% | 9% | N/A |

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 the largest employers in the area.

As of July 1999, the unemployment rates for the market area ranged from a high of 9.0% in Surry County to a low of 3.1% in Isle of Wight County. By comparison, the unemployment rate for the Commonwealth was 2.8%. Furthermore, 14% of the families in the assessment area are below the poverty level. This is relatively high when compared to an 8% poverty rate for the Commonwealth.

A community contact was made with a representative from a local government agency to further assist in evaluating the bank's CRA performance. The contact indicated that area banks are currently 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 all banks headquartered in nonmetropolitan areas of Virginia and of similar asset size to James River Bank ranged from 68% to 72% for the eight-quarter period ending June 30, 1999. The bank's average loan-to-deposit ratio for the same eight-quarter period is 61% and is considered adequate given the institution's size, branch locations, and financial capacity. Since September 30, 1997, loans and deposits have increased 11% and 10%, respectively.

LENDING IN ASSESSMENT AREA

To determine the institution's volume of lending within the assessment area, a sample of 124 consumer loans and 115 commercial/agricultural loans was reviewed. The consumer sample are those loans secured by property other than real estate and unsecured consumer loans. The samples were selected from approximately 320 consumer loans and 270 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 Area

| | Inside Assessment Area | Outside Assessment Area | Total |
|-------------------------------|------------------------|-------------------------|----------|
| Total Number of Loans | 197 | 42 | 239 |
| Percentage of Total Loans | 82% | 18% | 100% |
| Total Amount of Loans (000's) | \$11,782 | \$4,013 | \$15,795 |
| Percentage of Total Amount | 75% | 25% | 100% |

As illustrated above, a majority of the number (82%) and dollar amounts (75%) of loans sampled were provided to residents and businesses of the assessment area demonstrating the bank's commitment to serving the credit needs of the community.

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

The following charts illustrate the distribution of the 102 consumer loans and the 95 commercial/agricultural loans extended within the assessment area by income level of the borrower and by the size of the business. The data are provided separately for each analysis.

Distribution of Loans by Income Level of Borrower
Consumer Secured

| | Low-Income | Moderate-Income | Middle-Income | Upper-Income | Total |
|-------------------------------|------------|-----------------|---------------|--------------|---------|
| Total Number of Loans | 35 | 27 | 19 | 21 | 102 |
| Percentage of Total Loans | 34% | 26% | 19% | 21% | 100% |
| Total Amount of Loans (000's) | \$383 | \$250 | \$139 | \$385 | \$1,157 |
| Percentage of Total Amount | 33% | 22% | 12% | 33% | 100% |

Of the 102 consumer loans sampled, 60% were made to low- and moderate-income borrowers. This level of lending is higher than the proportion of low- and moderate-income families (23% and 16%, respectively) residing in the assessment area. Furthermore, 55% of the dollar amounts of the loans were extended to these borrowers.

Distribution of Loans by Size of Business

| | Revenues \leq \$ 1 Million | Revenues $>$ \$ 1 Million | Total |
|-------------------------------|---------------------------------|------------------------------|----------|
| Total Number of Loans | 89 | 6 | 95 |
| Percentage of Total Loans | 94% | 6% | 100% |
| Total Amount of Loans (000's) | \$5,527 | \$5,098 | \$10,625 |
| Percentage of Total Amount | 52% | 48% | 100% |

As noted in the chart above, 94% of the commercial/agricultural loans in the assessment area were provided to businesses with revenues of \$1 million or less. This level of lending compares favorably to Dun and Bradstreet's demographic business data, in which 90% of the business establishments within the assessment area have sales less than \$1 million.

Overall, the institution's lending distribution to borrowers of different income levels and to small businesses is more than reasonable using area demographics and business data as proxies for demand.

GEOGRAPHIC DISTRIBUTION OF LOANS

A review of the loan files also included an analysis of lending among the various geographies within the assessment area. The following charts depict loan penetration throughout the market based on the sample of consumer and commercial/agricultural loans. As previously mentioned, there are no populated low-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 | 9 | 81 | 12 | 102 |
| Percentage of Total Loans | 9% | 79% | 12% | 100% |
| Total Amount of Loans (000's) | \$30 | \$1,009 | \$118 | \$1,157 |

| | Moderate- Income | Middle- Income | Upper- Income | Total |
|----------------------------|---------------------|-------------------|------------------|-------|
| Percentage of Total Amount | 3% | 87% | 10% | 100% |

The consumer lending distribution in moderate-income census tracts (9%) is significantly less than the percentage of the population residing in such geographies (17%). However, 22% of the population in the assessment area's two moderate-income tracts are living below the poverty level suggesting the effective demand for consumer loans may be somewhat limited. Also, neither of these areas contain a branch of the bank and both tracts are in close proximity to areas in which a local credit union and branches of larger statewide institutions reside.

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

Commercial/Agricultural Loans

| | Moderate- Income | Middle- Income | Upper- Income | Total |
|-------------------------------|---------------------|-------------------|------------------|----------|
| Total Number of Loans | 6 | 78 | 11 | 95 |
| Percentage of Total Loans | 6% | 82% | 12% | 100% |
| Total Amount of Loans (000's) | \$269 | \$9,911 | \$445 | \$10,625 |
| Percentage of Total Amount | 3% | 93% | 4% | 100% |

Based on Dun and Bradstreet demographic information, approximately 24% of business establishments are located in the two moderate-income tracts within the bank's assessment area. As indicated in the preceding chart, only 6% of the bank's commercial/agricultural lending were to businesses located in such geographies. As previously mentioned the two moderate-income tracts are located in or nearby local communities with a number of banking institution's that compete with James River Bank for commercial loan customers. While these factors may account for the few loans extended in moderate-income tracts, the bank's lending in these geographies is considered low.

Overall, the bank's geographic distribution of lending is considered adequate when compared to various proxies for demand.

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 activities.