



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

August 23, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Blue Ridge Bank, National Association
Charter Number 22984**

**213 North Locust Street
Floyd, VA 24091**

**Comptroller of the Currency
Virginia Field Office
3800 Electric Road, Suite 204
Roanoke, VA 24018**

NOTE: This document is an evaluation of this 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. 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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

We assigned the rating based on the following information:

- The bank's loan-to-deposit ratio is reasonable.
- A majority of the bank's loans were originated within their assessment areas.
- Analysis reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- No public complaints related to CRA have been filed since the last CRA examination.

DESCRIPTION OF INSTITUTION

Blue Ridge Bank, National Association (BRB) is not a subsidiary of a holding company and there have not been any major changes in the bank's corporate structure since the last CRA examination. BRB received a satisfactory CRA rating at its last CRA performance evaluation dated February 27, 1998. There are no legal or financial impediments to BRB's ability to meet the credit needs of its assessment area.

BRB's main office is located in Floyd, Virginia. The bank also operates nine full-service branch offices, all in Virginia. Two branches are located in Christiansburg, two in Bristol, one in Blacksburg, one in Radford, one in Wytheville, one in Lebanon, and one in St. Paul. The bank opened 4 branches and did not close any branches since the last examination. BRB currently does not have any depository ATMs.

As of March 31, 2002, BRB's assets totaled \$276 million, of which net loans comprise 63%. The following table reflects the composition of BRB's loan portfolio based on the March 31, 2002 call report.

Product Category	Gross Loans as of March 31, 2002*	
	Dollar (000's)	Percent
Commercial & Industrial Including Commercial Real Estate	\$104,173	59.08%
Residential Mortgage Loans	\$47,079	26.70%
Individuals	\$12,114	6.87%
Construction & Land Development	\$8,622	4.89%
All Other	\$3,262	1.85%
Farmland and Agriculture	\$1,076	0.61%
Total	\$176,326	100%

*Data obtained from call report.

Management does not formally track loan originations by type, therefore we chose primary loan

types based on outstanding balances and discussions with management about loan originations. As indicated in the table above, the bank's primary loan types based on outstanding balances are commercial loans and residential mortgage loans. A third primary loan product is consumer loans. Because most of these loans are small dollar loans, it is not reflected as a primary loan product based on outstanding balances. However, management indicated a significant portion of the number of loans they make are consumer loans so we included it as a primary loan type for evaluation purposes.

DESCRIPTION OF ASSESSMENT AREAS

The bank has four assessment areas (AA), all located in Virginia. All assessment areas meet the requirements of the regulation and do not arbitrarily exclude any low- or moderate-income geographies. Since two of the assessment areas, Russell-Wise-Norton and Wythe, do not include Metropolitan Statistical Areas (MSA) and are homogenous, we combined these for analysis purposes.

The first assessment area consists of the counties of Floyd and Montgomery and the city of Radford. Floyd County borders Montgomery County, which is located in the southwestern part of the Virginia in the region known as the New River Valley. Montgomery County lies between the Appalachian Plateau and the Blue Ridge Mountains and is home to Virginia's largest nationally ranked university, Virginia Tech and its internationally recognized Corporate Research Center and Smart Road. The City of Radford is adjacent to Montgomery County. Unemployment for Floyd County is 3.8%, 3.0% for Montgomery County, and 4.3% for the City of Radford compared to the state average of 4.0%. Population for this assessment area is 102,000. The area's top three industries by distribution of employees are manufacturing, retail trade, and services. Largest employers (by number of employees) include Virginia Tech, Volvo Trucking, and Radford University. Competition in this assessment area is strong and consists of 40 branches of FDIC-insured institutions representing 10 banks varying in asset size.

The second assessment area combines two assessment areas, Russell and Wise Counties and the City of Norton and Wythe County. All three counties are located in rural southwest Virginia. The population in the combined area is approximately 95,897. Unemployment for Wythe County is 7.8%, 5.3% for Russell County, and 5.8% for Wise County. All are higher than the state average of 4.0% due mainly to limited job opportunities in these areas. The largest industries by distribution of employees in these areas are public administration, manufacturing, and retail trade. Competition in this combined assessment area is strong and consists of 46 branches of FDIC-insured institutions representing 19 banks varying in asset size.

The third assessment area is the City of Bristol. Bristol is located directly on the Tennessee-Virginia state line along Interstate 81 and is part of the MSA of Bristol, Johnson City, and Kingsport. Unemployment is 3.4% compared to the state average of 4.0%. The population for the City of Bristol is 18,426. The areas top three industries by distribution of employees are manufacturing, services, and retail trade. Largest employers (by number of employees) are Bristol Compressors, K VA T Food Stores, and Johnston Memorial Hospital. Competition in this assessment area consists of 15 branches of FDIC-insured institutions representing 9 banks varying in asset size.

The following table includes general demographic data describing the assessment areas.

Demographic Characteristics of the Assessment Areas				
		Assessment Areas		
		Bristol	Floyd-Montgomery-Radford	Russell-Wise-Wythe-Norton
<u>Number of Geographies by Income Level:</u>	Low-Income	0	1	0
	Moderate-Income	1	1	13
	Middle-Income	2	10	9
	Upper-Income	1	7	1
	N/A	0	5	9
<u>Percent of Geographies by Income Level:</u>	Low-Income	0	4.17	0
	Moderate-Income	25	4.17	40.63
	Middle-Income	50	41.67	28.13
	Upper-Income	25	29.17	3.12
	N/A	0	20.82	28.12
<u>Percent of Population in each Tract</u>	Low-Income	0	0.04	0.00
	Moderate-Income	17.98	4.59	52.72
	Middle-Income	53.34	60.20	42.66
	Upper-Income	28.68	27.31	4.62
	N/A	0	7.86	0
<u>Percent of Families by Income Level:</u>	Low-Income	26.43	17.91	29.05
	Moderate-Income	17.98	16.05	20.42
	Middle-Income	20.89	21.40	19.67
	Upper-Income	34.70	44.64	30.86
<u>Median Housing Characteristics</u>	Median Home Value	\$47,655	\$73,767	\$46,398
	Percent Owner-Occupied Units	58.59	54.26	70.63
	Median Gross Rent	\$297	\$389	\$284
<u>Median Income Data:</u>	1990 Census Median Family Income	\$27,236	\$28,301	\$28,301
	Updated Median Family Income	\$41,800	\$40,800	\$40,800

Community Contact

We conducted one community contact during this examination with a representative of a private, non-profit community action group in the Bristol AA. They stated that financial intuitions are easily accessible, especially in the Bristol area. However, area financial institutions have not adequately met business equity financing needs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Given the bank's size and location, BRB's loan to deposit ratio is reasonable. A review of bank data reveals that BRB is similarly situated to First Century Bank and Bank of Marion. All

institutions offer similar credit products and operate in at least one of the same assessment areas as BRB. The following table reflects the average loan to deposit ratio of BRB and the similarly situated banks.

Institution Name	Average Loan to Deposit Ratio Seventeen quarters beginning January 1,1998
Blue Ridge Bank	61.42%
First Century Bank	76.13%
Bank of Marion	56.72%

Lending in Assessment Areas

The bank originated a majority of its total loans within their assessment areas. However, BRB's lending activity in the Bristol AA is poor. There only two consumer loans, two home mortgage loans, and four small loans to businesses identified as having been originated during the evaluation period. The table that follows summarizes the results of our review of loans made in BRB's assessment areas between January 1, 1998 and March 31, 2002.

Lending Inside/Outside the Assessment Area

Assessment Area:	% of Rated Area Loans (#) in AA	Home Mortgage		Consumer		Small Loans to Businesses		Total Sampled Loans		% of Rated Area Deposits in AA
		%Inside	%Outside	%Inside	%Outside	%Inside	%Outside	%Inside	%Outside	
Blue Ridge Bank, NA	100	79	21	67	33	80	20	74	26	100

The analysis of lending in the bank's assessment areas included a sample of two of the primary loan types, commercial and consumer. Since BRB is a Home Mortgage Disclosure Act (HMDA) reporter, all HMDA reportable loans were used in the analysis of the third primary loan type, home mortgage loans. The table that follows provides details on the loan samples used in our analysis.

Sampled Loans Inside the Assessment Area

Assessment Area:	Total Home Purchase Loans				Total Consumer Loans				Total Small Loans to Businesses			
	#	% of Total	\$ (000)	% of Total	#	% of Total	\$ (000)	% of Total	#	% of Total	\$ (000)	% of Total
Bristol	2	2	74	1	2	4	8	3	4	7	93	6
Floyd-Montgomery-Radford	62	57	3,519	59	22	49	121	47	28	49	535	32
Russell-Wise-Norton-Wythe	45	41	2,409	40	21	47	130	50	25	44	1,013	62

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The distribution of loans, given the demographics of the AAs, reflects reasonable penetration among borrowers of different income levels (including low- and moderate-income) and businesses of different sizes. The analysis of lending to borrowers of different income levels and businesses of different sizes was completed using all files inside the AAs from the lending in the

AAs sample, excluding loans for which income information was not available. The following tables reflect the results for each primary loan type.

Borrower Distribution of Home Mortgage Loans

Assessment Area:	Low-Income Families			Moderate-Income Families			Middle-Income Families			Upper-Income Families		
	% Families	% BANK # Loans	% BANK \$ Loans	% Families	% BANK # Loans	% BANK \$ Loans	% Families	% BANK # Loans	% BANK \$ Loans	% Families	% BANK # Loans	% BANK \$ Loans
Bristol	26	50	53	18	50	47	21	0	0	35	0	0
Floyd-Montgomery-Radford	18	3	1	16	24	16	21	25	24	45	48	59
Russell-Wise-Norton-Wythe	29	11	5	20	29	20	20	20	17	31	40	58

The table above illustrates the distribution of home mortgage loans within the income levels compared to the percentage of families in each income level. The distribution of home mortgage loans to low-income borrowers is excellent in the Bristol AA but poor in the Floyd-Montgomery-Radford and Russell-Wise-Norton-Wythe AAs. The distribution of home mortgage loans to moderate-income borrowers is excellent in all AAs.

Borrower Distribution of Consumer Loans

Assessment Area:	Low-Income Households			Moderate-Income Households			Middle-Income Households			Upper-Income Households		
	% HH	% BANK # Loans	% BANK \$ Loans	% HH	% BANK # Loans	% BANK \$ Loans	% HH	% BANK # Loans	% BANK \$ Loans	% HH	% BANK # Loans	% BANK \$ Loans
Bristol	32	100	100	16	0	0	15	0	0	37	0	0
Floyd-Montgomery-Radford	27	62	53	16	28	30	18	10	17	39	0	0
Russell-Wise-Norton-Wythe	31	43	37	18	38	37	18	14	24	33	5	2

The table above illustrates the distribution of consumer loans within the income levels compared to the percentage of households in each income level. The distribution of consumer loans to low-income borrowers is excellent in the all three AAs. The distribution of consumer loans to moderate-income borrowers is excellent in the Floyd-Montgomery-Radford and Russell-Wise-Norton-Wythe AAs and poor in the Bristol AA.

Borrower Distribution of Small Loans to Businesses

Assessment Area:	Businesses With Revenues of \$1 million or less			Loans by Original Amount Regardless of Business Size (000)					
	% of Businesses	% # BANK Loans	% \$ Bank Loans	\$100,000 or less		>\$100,000 to \$250,000		>\$250,000 to \$1,000,000	
				#	\$	#	\$	#	\$
Bristol	91	100	100	4	93	0	0	0	0
Floyd-Montgomery-Radford	92	89	80	28	535	0	0	0	0
Russell-Wise-Norton-Wythe	91	89	85	22	334	2	329	1	350

The table above illustrates the number and dollar volume of loans by size and the percentage of small loans to businesses compared to the percentage of businesses that are small. The distribution of loans to small businesses (businesses with \$1 million or less in gross annual revenues) was excellent in the Bristol AA and good in the Floyd-Montgomery-Radford and

Russell-Wise-Norton-Wythe AAs. All loans in the Bristol and Floyd-Montgomery-Radford AAs and the majority of loans in the Russell-Wise-Norton-Wythe AA were for amounts less than \$100 thousand.

Geographic Distribution of Loans

BRB’s geographic distribution of loans reflects reasonable dispersion throughout their AAs. The analysis of the geographic distribution of loans was completed using all files inside the AAs from the lending in the AAs sample. The Bristol and Russell-Wise-Norton-Wythe AAs do not have any low-income geographies. Therefore our review focused on the low-income geography in Floyd-Montgomery-Radford and the moderate-income geographies in all AAs.

We evaluated the lending distribution in these AAs to determine if any unexplained conspicuous gaps existed. We used reports and maps to compare the geographies where loans were made to the geographies in the AAs. We considered loan distributions, branch locations, competition, market conditions, and demographic information. No unexplained conspicuous gaps were identified. The following tables reflect the results for each primary loan type.

Geographic Distribution of Home Mortgage Loans

Assessment Area:	Low-Income Geographies			Moderate-Income Geographies			Middle-Income Geographies			Upper-Income Geographies		
	% Owner Occ Units	%BANK # Loans	%BANK \$ Loans	% Owner Occ Units	%BANK # Loans	%BANK \$ Loans	% Owner Occ Units	%BANK # Loans	%BANK \$ Loans	% Owner Occ Units	%BANK # Loans	%BANK \$ Loans
Bristol	0	0	0	16	50	47	49	50	53	35	0	0
Floyd-Montgomery-Radford	<1	0	0	2	0	0	66	73	72	31	27	28
Russell-Wise-Norton-Wythe	0	0	0	54	40	41	42	60	59	4	0	0

The table above illustrates the geographic distribution of home mortgage loans among geographies of different income levels compared to the percentage of owner occupied housing. No loans were made in the low-income geography, however less than 1% of owner-occupied units are located in the low-income geography. The distribution of home mortgage loans in the moderate-income geographies was excellent in the Bristol AA and adequate in the Russell-Wise-Norton-Wythe AA. There were no loans made in the moderate-income geography in the Floyd-Montgomery-Radford AA, however only 2% of all owner-occupied units are located in the moderate-income geography.

Geographic Distribution of Consumer Loans

Assessment Area:	Low-Income Geographies			Moderate-Income Geographies			Middle-Income Geographies			Upper-Income Geographies		
	% HH	% BANK # Loans	%BANK \$ Loans	% HH	%BANK # Loans	%BANK \$ Loans	% HH	%BANK # Loans	%BANK \$ Loans	% HH	%BANK # Loans	%BANK \$ Loans
Bristol	0	0	0	17	50	58	57	50	42	26	0	0
Floyd-Montgomery-Radford	<1	0	0	5	0	0	64	90	97	30	10	3
Russell-Wise-Norton-Wythe	0	0	0	53	24	19	43	76	81	4	0	0

The table above illustrates the geographic distribution of consumer loans among geographies of different income levels compared to the percentage of households in each income tract. There were no consumer loans made in the low-income geography, however less than 1% of all households in the AA live in the low-income geography. The distribution of consumer loans in the moderate-income geographies was excellent in the Bristol AA and adequate in the Russell-Wise-Norton-Wythe AA. There were no consumer loans made in the moderate-income geography in the Floyd-Montgomery-Radford AA, however, only 5% of households live in the moderate-income geography.

Geographic Distribution of Small Loans to Businesses

Assessment Area:	Low-Income Geographies			Moderate-Income Geographies			Middle-Income Geographies			Upper-Income Geographies		
	% Bus	%BANK # Loans	%BANK \$ Loans	% Bus	%BANK # Loans	%BANK \$ Loans	% Bus	%BANK # Loans	%BANK \$ Loans	% Bus	%BANK # Loans	%BANK \$ Loans
Bristol	0	0	0	2	0	0	68	75	91	30	25	9
Floyd-Montgomery-Radford	0	0	0	6	0	0	71	74	73	23	26	27
Russell-Wise-Norton-Wythe	0	0	0	51	23	19	46	77	81	3	0	0

The table above illustrates the geographic distribution of business loans among geographies of different income levels compared to the percent of businesses located in each tract category. There are no businesses located in the low-income geography. The distribution of loans to businesses in moderate-income geographies is adequate in the Russell-Wise-Norton-Wythe AA. There were no small loans to businesses made in the moderate-income geographies of the Bristol and Floyd-Montgomery-Radford AAs. However, only 2% and 6%, respectively, of businesses are located in moderate-income geographies in these AAs.

Responses to Complaints

BRB has not received any CRA-related complaints since the February 27, 1998 CRA examination.

Fair Lending Review

An analysis of the most recent years public comments, consumer complaint information, and HMDA lending data was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year.

The latest comprehensive fair lending exam was performed in February 1998.