



PUBLIC DISCLOSURE

January 27, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

River Community Bank, National Association
Charter Number 23903
1 East Market Street
Martinsville, Virginia 24112

Office of the Comptroller of the Currency

4419 Pheasant Ridge Road
Suite 300
Roanoke, Virginia 24014

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.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The rating is based on the following:

- River Community Bank, N.A.'s (RCB) loan-to-deposit (LTD) ratio is more than reasonable;
- A majority of loans were originated inside the bank's assessment areas (AAs);
- Borrower distribution reflects reasonable penetration among borrowers of different income levels and businesses of different sizes; and
- RCB's geographic distribution of loans reflects excellent penetration in comparison to the distribution of owner-occupied residential real estate and businesses within the AA.

SCOPE OF EXAMINATION

This Performance Evaluation assesses the bank's performance under the Lending Test for the period July 7, 2008 through December 31, 2013. We sampled loans originated between January 1, 2009 and December 31, 2011. The sample period was representative of the entire evaluation period. We selected home mortgage loans and business purpose loans as the primary loan products based on total loans originated during the evaluation period and discussions with bank management. Our analysis was based on the sample of home mortgage loans and business purpose loans originated during the evaluation period. The sample was selected based on judgmental sampling guidelines.

The Lending Test analysis is based on the bank's performance during the evaluation period using comparative demographic data from the 2000 U.S. Census.

DESCRIPTION OF INSTITUTION

River Community Bank, N.A. (RCB) is located in Martinsville, Virginia, and is part of a one bank holding company; River Bancorp, Inc. (RBI). RBI previously had one other subsidiary, Medallion Mortgage, which was merged into the bank in 2012. Medallion's primary business is wholesale and retail mortgage lending. Medallion's mortgage operation center is located in Greensboro, North Carolina. Medallion also operates six loan production offices (LPOs) in Cary, Raleigh, Greensboro, Kernersville, Eden, and Whiteville, North Carolina. LPOs are not considered branches under the CRA; therefore, most loans generated from these locations are outside the bank's designated assessment area.

During the evaluation period, there were no legal, financial, or other factors impeding the bank's ability to help meet the credit needs of its assessment areas. The bank received a "Satisfactory" rating in its July 7, 2008 CRA Performance Evaluation.

RCB's headquarters is located in the City of Martinsville. RCB operates four full-service branches in Bassett, Stuart, Drakes Branch, and the City of Martinsville, Virginia. The bank has not opened or closed any bank offices since the previous evaluation period.

RCB's hours of operation for most locations include lobby and drive- thru hours until 5:00 P.M. Monday through Friday, and Saturday drive-thru hours from 8:30 A.M. to 12:00 P.M. The Imperial branch located in Martinsville is open until 6:00 P.M. on Fridays. The Drakes Branch Office only has lobby hours Monday, Wednesday, and Friday.

RCB offers a variety of banking products, including numerous types of deposit accounts and loan products for both consumers and businesses. Banking services are standard with the addition of on-line banking. The bank's Internet website, www.rcbna.com, provides detailed information on products and services for both consumers and businesses.

As of December 31, 2013, RCB's total assets were \$97.9 million, with a net loan portfolio of approximately \$86.1 million, representing 87 percent of total assets. Total deposits were \$83.4 million, or 85.27 percent of total assets. Net Tier One Capital is \$9.1 million as of that same date. The composition of the bank's loan portfolio is in the table below.

Product Category	Gross Loans as of December 31, 2013	
	Dollars (000)	Percent of Gross Loans
1-4 Family Residential	\$34,680	39.75%
Commercial & Industrial	\$25,036	28.70%
Commercial Real Estate	\$23,385	26.80%
Loans to Individuals	\$1,726	1.98%
Construction & Development	\$1,127	1.29%
Agricultural / Farmland	\$1,232	1.41%
Other loans	\$56	0.07%
Total Gross Loans	\$87,242	100.00%

*Data obtained from "Consolidated Reports of Condition and Income for A Bank with Domestic Offices Only - FFIEC 041" as of December 31, 2013

RCB's competitors include American National Bank and Trust Company, Carter Bank & Trust, and to a lesser extent, Branch Banking & Trust (BB&T) and SunTrust Bank. All of these institutions have at least two branches within the bank's primary AA and have total assets greater than \$1 billion. BB&T and SunTrust are regional banks headquartered outside of Virginia. Carter Bank & Trust's and American National Bank and Trust's headquarters are in Virginia.

According to the June 30, 2013 FDIC Summary of Deposits Market Share Report, RCB ranked fifth out of eleven institutions in Henry-Patrick-Martinsville non-MSA AA with 4.37 percent of deposits. Carter Bank & Trust ranked first with 11 offices in the AA and

41.54 percent of the deposits; BB&T ranked second with six offices in the AA and 23.96 percent of the deposits; SunTrust Bank ranked third with five offices in the AA and 14.36 percent of the deposits.

DESCRIPTION OF ASSESSMENT AREA(S)

RCB has defined two AAs in the State of Virginia. The bank’s primary AA is a non-MSA area comprised of Henry and Patrick Counties and the City of Martinsville, and is home to three of the bank’s four branches. The second AA is Charlotte County in Virginia. Charlotte County is not contiguous to Henry or Patrick County; therefore, not combined with these counties. Both AAs meet the requirements of the CRA regulation. Our review for this examination focused on the bank’s primary AA.

Henry, Patrick, Martinsville non-MSA AA

The Henry, Patrick, Martinsville non-MSA AA consists of two contiguous counties and one independent city in Virginia; Henry and Patrick Counties in their entirety, and the City of Martinsville. Henry County has thirteen middle-income census tracts that are designated distressed underserved nonmetropolitan middle-income census tracts. Patrick County has three middle-income census tracts, which are designated distressed underserved nonmetropolitan middle-income census tracts. The City of Martinsville has three moderate-income census tracts, one middle-income census tract, and one upper-income census tract. The middle-income census tract in the City of Martinsville is designated distressed underserved nonmetropolitan middle-income census tract. Demographic data for the AA is in the table below. The latest (November 2013) unemployment rates for these areas are: Henry County: 7.4%, Patrick County: 6.1%, and the City of Martinsville: 13.7%.

2000 U. S. Census Demographic Information for Full Scope Area: Henry-Patrick-Martinsville non MSA-AA**						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	21	0.00	14.29	80.95	4.76	0.00
Population by Geography	92,753	0.00	10.13	86.46	3.41	0.00
Owner-Occupied Housing by Geography	28,828	0.00	7.77	88.26	3.98	0.00
Business by Geography	6,730	0.00	9.52	87.50	2.97	0.00
Farms by Geography	219	0.00	1.83	97.26	0.91	0.00
Family Distribution by Income Level	26,923	20.14	19.60	23.99	36.28	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	10,698	0.00	13.01	85.13	1.86	0.00
Median Family Income		\$38,987	Median Housing Value		\$70,272	
2011 HUD Adjusted Median Family Income		\$51,900				
Households Below Poverty Level		14.29%				

*The NA category consists of geographies that have not been assigned an income classification.

**Source: 2000 U.S. Census; 2011 HUD updated MFI

Henry County is located in the foothills of the Blue Ridge Mountains in the southwestern part of Virginia. Patrick County borders it to the West, Franklin County to the North, Pittsylvania County to the East, and Rockingham County in North Carolina to the South. Communities within Henry County include the Town of Ridgeway, the independent City of Martinsville, and 12 unincorporated communities. Henry County is 50 minutes or less from five interstates, an international airport, and five metropolitan areas, making the area easily accessible. According to 2010 Census Data, the population in the county is 54,151. The projected unemployment rate for December 2013 was 7.2 percent.

The City of Martinsville is an independent city located in the center of Henry County. The population in the city is 13,821 according to 2010 Census Data. The paperclip shaped Martinsville Speedway, the shortest track in NASCAR stock racing, is located just south of the city in the Town of Ridgeway. In previous years, this city was industrialized and home to textile, chemical, furniture, and prefabricated housing businesses. Over the past few years, the City of Martinsville has recognized the highest level of unemployment in the State of Virginia at 16 percent in 2012 and 18.7 percent in 2011. The level of unemployment in this area has shown decline in Year 2013. The projected unemployment rate for December 2013 was 12.4 percent.

Patrick County is located within both the rolling hills and valleys of the Piedmont Region of Virginia and the mountainous Southwest Virginia. The county seat is Stuart and the county is surrounded by Carroll County to the West, Floyd County to the Northwest, Franklin County to the North, Henry County to the East, and Stokes County in North Carolina to the South. Major metropolitan cities located nearby include Greensboro, North Carolina (55 miles) to the south and Roanoke, Virginia (75 miles) to the north. The projected unemployment rate for December 2013 was 5.8 percent. According to 2010 Census Data, the population in the county is 18,490.

Charlotte County VA non MSA AA

Charlotte County Virginia non-MSA AA has three middle-income census tracts, which are designated distressed underserved nonmetropolitan middle-income census tracts. Demographic data for the AA is in the table below.

2000 U. S. Census Demographic Information for Charlotte County Virginia non MSA-AA**						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	3	0%	0%	100%	0.00	0.00
Population by Geography	12,472	0%	0%	100%	0.00	0.00
Owner-Occupied Housing by Geography	3,834	0%	0%	100%	0.00	0.00
Business by Geography	957	0%	0%	100%	0.00	0.00
Farms by Geography	104	0%	0%	100%	0.00	0.00
Family Distribution by Income Level	3,449	25.25%	17.72%	23.57%	33.46	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	1,482	0%	0%	100%	0.00	0.00
Median Family Income		38,987	Median Housing Value		69,733	
2011 HUD Adjusted Median Family Income		51,900	Unemployment Rate***		6.2%	
Households Below Poverty Level		18.49%				

*The NA category consists of geographies that have not been assigned an income classification.

**Source: 2000 US Census; 2011 HUD updated MFI;

***December, 2013 Bureau of Labor Statistics Unemployment

Charlotte County is located in the south central part of the Commonwealth of Virginia. Its county seat is Charlotte Court House. The Town of Charlotte Court House has been listed with the state and National Registers of Historic Places for its uniqueness in architecture, business and government buildings.

Charlotte County is only 1.5 hours from Richmond; 2 hours from Raleigh, North Carolina; and 3 hours from Norfolk's ports. Four-lane highway 58 lies half an hour south of the county and Highway 460 runs just beyond the county's northern border, providing easy access to interstates and surrounding metropolitan areas.

The County is a predominately rural area. Charlotte County's rural nature means lower land costs and a more favorable tax structure. In addition, its Virginia Enterprise Zone designated areas translate to important financial incentives for qualifying businesses.

COMMUNITY CONTACT

To determine the credit needs of the AA, we contacted the President of the Martinsville-Henry County Chamber of Commerce. The Chamber of Commerce's main focus is on economic and workforce development. The Chamber's programs are designed to encourage a strong local economy by creating an environment where businesses thrive and community and commerce work together for the future of Martinsville-Henry County. This has been a challenge, especially over the last few years, given the level of unemployment and economic stress in the area. The contact reiterated that the City of Martinsville has the highest unemployment rate in the state of Virginia, and Henry

County has consistently been ranked in the top five for several years. Increased unemployment rates are mainly the result of losing several manufacturing employers in the area. However, the contact did note that Kilgore Enterprises, manufacturer of air space parts; and RTI, manufacturer of forged titanium, have moved into the area creating 150 employment opportunities.

General banking and credit needs of the community consist of machinery and equipment loans, work vehicle loans, and general real estate or car loans. The Chamber has implemented a program called C-PEG, Chamber Partner for Economic Growth, which assists in raising private funds for economic development. The Chamber also has a grant program that provides assistance to small businesses that are Chamber members to help them obtain loan approval at the surrounding community banks. River Community Bank, N.A. has been the most successful in this program with three loans last year that took advantage of the C-PEG program. The Chamber also provides a Small Business Investment Forum, geared toward small businesses three years or less in age, where small businesses enter into a business plan competition. Local community banks are encouraged to participate in this event and have been with success and enthusiasm.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

RCB's performance under the Lending Test is Satisfactory. The evaluation period covered lending activity for home mortgage loans originations and business purpose loan originations from January 1, 2009 through December 31, 2012. These loans were the products reviewed as determined by the volume of loan originations during the evaluation period.

Loan-to-Deposit Ratio

RCB's average quarterly loan-to-deposit ratio since March 31, 2008 is more than reasonable at 97.6 percent. The bank's quarterly LTD ratios ranged from a quarterly low of 88.4 percent at September 30, 2008 to a quarterly high of 118.5 percent at September 30, 2009. There are no similar banks within the AA. There are several established banking institutions operating in the AA; however, none of these institutions are similar to RCB due to their size and branching network. The closest situated bank is Martinsville 1st Savings Bank. This thrift is half the size of RCB and its LTD is just under 70 percent. RCB's LTD ratio is more favorable than the remaining institutions within the market. The average LTD ratios for the other institutions in the AA was 76.29 percent.

Lending in Assessment Area

A majority of the home mortgage loans and business purpose loans originated during the evaluation period were within the AA. RCB meets the standard for satisfactory performance for lending in its AA.

In order to determine this, we analyzed a sample of RCB's loans originated since the previous CRA examination. The sample covered the bank's primary loan products, which included 26 residential real estate loans and 32 business loans. This sample is representative of the bank's lending philosophy and overall lending performance in addressing the needs within its AA. There were no conspicuous gaps in the bank's lending patterns. We determined the bank's In/Out ratio based on the first 20 loans in each sample. Table 1 provides a synopsis of the sample results.

Table 1- Lending in Henry- Patrick- Martinsville AA										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	\$	%	\$	%	\$
Business Loans	14	70%	6	30%	20	\$1,424	72%	\$565	28%	\$1,989
Residential Loans	15	75%	5	25%	20	\$1,469	61%	\$954	39%	\$2,423
Totals	29	72.5%	11	27.5%	40	\$2,893	66%	\$1,519	34%	\$4,412

Source: Data above is taken from the sample of loans used for the evaluation periods.

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

The distribution of loans, given the demographics of the AA, reflects reasonable penetration among borrowers of different income levels and businesses of different sizes. The analysis of lending to borrowers of different income levels was completed using loans made inside the AA from the loan sample discussed above. This sample consisted of twenty mortgage loans and twenty business purpose loans originated January 1, 2009 through December 31, 2011 using 2000 Census demographic data.

Borrower Distribution of Residential Real Estate Loans

RCB's distribution of residential real estate loans reflects reasonable penetration among borrowers of different income levels as depicted in Table 2 below. The bank has made reasonable efforts to lend to low and moderate income borrowers. The level of unemployment in the AA is very high, which restricts certain lending opportunities. The bank's lending to low income borrowers is well below the percentage of low-income families in the AA. The bank's lending to moderate income borrowers exceeded the percentage of moderate-income families in the AA.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Henry-Patrick-Martinsville AA*		
Borrower Income Level	% of AA Families	% of Number of Loans
Low	20.14%	10%
Moderate	19.60%	35%
Middle	23.99%	30%
Upper	36.28%	20%

Data Source: Percentages are derived from the sample of loans used for this evaluation.

*Data Source: 2000 U.S. Census

Borrower Distribution of Loans to Businesses

Borrower distribution of loans to small businesses reflects reasonable penetration. Small businesses are defined as businesses with gross annual revenues of \$1 million or less. The bank participates in community development programs targeted towards helping small businesses in the AA. The bank's lending to small businesses in the AA meets the standard for satisfactory performance as depicted in Table 2A below.

Table 2A - Borrower Distribution of Loans to Businesses in Henry-Patrick-Martinsville AA*				
Business Revenues (or Sales) **	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	71.43%	2.73%	25.84%	100%
% Bank Loans in AA by #	50.00%	30.00%	20.00%	100%
% Bank Loans in AA by \$	37.20%	59.59%	3.21%	100%

* Data Source: Percentages are derived from the sample of loans used for this evaluation.

**Data Source: 2000 U.S. Census

Geographic Distribution of Loans

RCB's geographic distribution of loans reflects excellent dispersion in comparison to the geographical distribution of owner-occupied residential real estate and business units within the AA. The geographic distribution of loans reflects reasonable dispersion throughout the AA. We found that loan originations tend to be concentrated in close proximity of the branches, where the population centers are also located. There are no low-income geographies in the AA.

This sample consisted of twenty mortgage loans and twenty business purpose loans originated January 1, 2009 through December 31, 2011 using 2000 Census demographic data. We noted no conspicuous gaps or areas of low penetration.

Geographic Distribution of Residential Real Estate

The distribution of residential real estate loans reflects excellent dispersion among geographies of different income levels compared to the percent of owner-occupied units in those geographies as depicted in Table 3 below. The number of loans originated in moderate-income tracts exceeds the percentage of owner-occupied housing in those tracts.

Table 3 - Geographic Distribution of Residential Real Estate Loans in Henry-Patrick-Martinsville AA*		
Census Tract Income Level **	% of AA Owner Occupied Housing	% of Number of Loans
Low	0%	0%
Moderate	7.77%	10%
Middle	88.26%	90%
Upper	3.98%	0%

* Data Source: Percentages are derived from the sample of loans used for this evaluation.

**Data Source: 2000 U.S. Census

Geographic Distribution of Loans to Businesses

The distribution of loans to businesses reflects excellent dispersion among geographies of different income levels compared to the percent of business located in those geographies as depicted in Table 3A below. The percentage of loans to borrowers in moderate-income census tracts exceeds the percentage of businesses in those census tracts.

Table 3A - Geographic Distribution of Loans to Businesses in Henry-Patrick-Martinsville AA		
Census Tract Income Level **	% of AA Businesses	% of Number of Loans
Low	0%	0%
Moderate	9.52%	15%
Middle	87.50%	85%
Upper	2.97%	0%

* Data Source: Percentages derived from the sample of loans used for this evaluation.

**Data Source: 2000 U.S. Census

Responses to Complaints

There were no complaints regarding the bank's CRA performance during the evaluation period. This has a neutral impact on the overall CRA rating.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.