



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

September 12, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

New Horizon Bank, National Association
Charter Number 24858

2501 Anderson Highway
Powhatan, Virginia 23139

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 Outstanding.

The major factors supporting the institution's rating include:

- The loan-to-deposit (LTD) ratio is more than reasonable given the bank's size, lending opportunities within the assessment area (AA), credit needs, and relevant competitive factors;
- A majority of the bank's loans were originated within the bank's AA;
- The bank's record of lending to borrowers of different income levels reflects excellent penetration to residential real estate loans and exceeds the standard for satisfactory performance; and
- The geographic distribution of loans reflects excellent dispersion among borrowers of different income levels throughout the AA.

SCOPE OF EXAMINATION

Community Reinvestment Act (CRA) activities at New Horizon Bank, NA (NHB) were completed using full-scope review procedures for its AA. Our review covered the bank's performance from its opening on October 7, 2009 through December 31, 2011. Residential mortgage loans were determined to be the bank's primary loan product and were reviewed as part of this examination. In order to test the bank's lending activity, we reviewed all thirty (30) residential loans originated between October 7, 2009 and December 31, 2011.

DESCRIPTION OF INSTITUTION

NHB is small, full service community bank that opened for business October 7, 2009 serving the Powhatan community. It is a publicly owned stock company that is not listed on any stock exchange; but privately traded. NHB's operations are that of a traditional bank, primarily originating loans secured by one-to-four family dwellings and deriving funding through local retail deposits. At June 30, 2012, NHB maintained total assets of approximately \$49.6 million.

NHB's predominant product is a temporary financing, adjustable rate mortgage loan secured by one- to four-family dwellings. Other loan types offered include: new and used automobile loans, home equity lines of credit, home equity loans, construction loans, land loans, personal lines of credit, and tailored business loans. Deposit products include: personal and business checking, savings, money market, IRA and Certificates of Deposit.

As of June 30, 2012, the total loan portfolio equaled \$28.4 million. Table 1 indicates the dollar amount, percentage to total loans, and percentage to total assets of each loan category.

Table 1 - NHB's Investment in Loans (06/30/12 Call Report)			
Loan Category	Amount (\$000's)	Percent of Net Loans	Percent of Total Assets
Residential Real Estate/Mortgage	\$19,768	69.65%	39.83%
Commercial Nonmortgage	\$7,383	26.01%	14.88%
Consumer	\$1,233	4.34%	2.48%
Total	\$28,384	100.0%	57.19%

NHB has not been previously evaluated under the Community Reinvestment Act. NHB's one office is located at 2501 Anderson Highway, Powhatan, Virginia, and has a Drive Up and ATM. As of June 30, 2012, NHB had \$35 million in total deposits. Net Tier 1 Capital was \$6 million as of that same date. There have been no other openings or closings during the evaluation period.

NHB offers a variety of deposit and loan products to meet consumer and business banking needs. The bank's Internet website provides detailed information on products and services for both consumers and businesses. Banking services are standard and business services can be tailored to suit one's business needs. NHB offers free online banking with bill payment for consumers. NHB offers a checking account to customers 55 years and up with no service fees and a no minimum balance requirement.

The bank offers extended business hours during the week and also offers Saturday lobby and drive-up hours until noon. NHB has an ATM with the ability to receive same day credit for deposits made up until 10:00 pm each business day.

There are no legal or financial factors impeding the bank's ability to help meet the credit needs in its assessment area. There is no prior CRA rating as this is NHB's first CRA evaluation.

DESCRIPTION OF NHB ASSESSMENT AREA

Demographic Information for Full Scope Area: Richmond, VA MSA, AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	20	0.00	10.00	45.00	45.00	0.00
Population by Geography	85,668	0.00	10.53	46.60	42.87	0.00
Owner-Occupied Housing by Geography	31,655	0.00	10.49	45.19	44.32	0.00
Business by Geography	11,836	0.00	6.69	46.73	46.58	0.00
Farms by Geography	434	0.00	22.35	45.39	32.26	0.00
Family Distribution by Income Level	23,770	12.08	15.01	21.99	50.92	0.00
Median Family Income		\$70,232	Median Housing Value		\$136,889	
HUD Adjusted Median Family Income for 2011		\$74,600	Unemployment Rate (2012 Bureau of Labor Statistics)		6.7%	
Households Below Poverty Level		5.19%				

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

Source: 2000 U.S. Census and 2011 HUD updated MFI

NHB's AA is located within the Richmond, Virginia (VA) Metropolitan Statistical Area (MSA), and includes all census tracts in Powhatan County, VA, all census tracts in Cumberland County, VA, selected census tracts in Chesterfield County, MD, and includes selected tracts in Amelia County, VA. The AA meets regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies. The total population in the AA was 85,668 as of the 2000 U.S. Census. The average unemployment rate in the AA for 2012 was 6.7% which is higher than the Virginia state unemployment rate of 5.9% for 2012. Major employers in the AA include DuPont, Wal-Mart, Food Lion, Gemini, and United Parcel Services. Additional areas include hospitals, schools, and correctional facilities.

The median cost of housing in the AA is \$136,889. The Updated Median Family Income for 2011 is \$74,600. The percentage of households below the poverty level is 5.2%. The AA's population is comprised of 23,770 families with the following family income distribution: 0.00% is low-income, 10.44% are moderate-income, 44.32% are middle-income, and 45.24% are upper-income.

In 2010, 218 lenders originated Home Mortgage Disclosure Act (HMDA) loans in the AA, according to the HMDA Peer Mortgage Data. Competition in the AA was strong with Wells Fargo Bank, Bank of America, SunTrust Mortgage Inc, and Wells Fargo Funding, Inc ranking as the top four lenders with market shares of 14.1%, 13.6%, 8.2% and 6.1% respectively. NHB has only been open for business since October 7, 2009 and no market share data was available during the period review. However, due to strong competition within the AA, a majority of the banks have 0.05% or less of the market share. Other competitors consisted of large national banks and mortgage

companies, large regional banks, and mortgage brokers with nationwide sources of funding.

According to the June 30, 2012 FDIC Summary of Deposits Market Share Report, NHB was ranked 19th out of 24 institutions in their AA with 0.8% of the deposits. Wells Fargo Bank is ranked first with 19 offices and 26.9% of the deposits. Other financial institutions include Branch Banking and Trust Company with 9 offices and 10.8% of the deposits, Union First Market Bank with 12 offices and 9.1% of the deposits, and Sun Trust Bank with 9 offices and 8.3% of the deposits.

We interviewed a recent community contact of a local organization of business owners whose goal is to further the interests of businesses and to advocate on behalf of the business community. The community contact stated that a credit need is for small businesses within the rural area. The contact's perception was that large banks in the area may not be able to address the small business needs and that the smaller community banks not only have opportunities to participate in the small business lending but the smaller community banks do help with lending to small businesses.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

NHB's loan-to-deposit ratio is outstanding. The bank's loan-to-deposit ratio is more than reasonable for the standard for satisfactory performance. The bank's average loan-to-deposit ratio during the time period from bank opening to June 30, 2012 consists of the prior eleven quarters is 90%. This is over the 75% average loan-to-deposit ratio for larger banks within NHB's market area during the same time period.

Lending in Assessment Area

NHB's lending in their AA is satisfactory. A majority of the home mortgage loans originated during the evaluation period were within the AA. NHB meets the standard for satisfactory performance for lending in the AA. An analysis of the HMDA data disclosed that 53% of these loans were originated in the AA.

Lending to Borrowers of Different Incomes

NHB's lending to borrowers of different incomes exceeds the standard for satisfactory performance. Borrower distribution reflects excellent penetration among residential real estate loans.

The percentage of residential real estate loans to low-income borrowers and moderate-income borrowers exceeds the percentage of low-income families and moderate-income families in the AA. This performance is excellent.

Table 2 - Borrower Distribution of Residential Real Estate Loans								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential Real Estate	12.08	12.50	15.01	25.00	21.99	6.25	50.92	12.50

Source: 2009-2011 Sample.

Geographic Distribution of Loans

NHB’s AA does not contain any low-income geographies. Therefore, an analysis of the institution’s record of residential real estate lending among low-income geographies would not have been meaningful and was not performed. NHB’s geographic distribution of loans among moderate-income geographies exceeds the standard for satisfactory performance. The geographic distribution reflects excellent dispersion in comparison to the geographical distribution of residential mortgage loans within the AA. Our review did not detect any conspicuous or unexplained gaps in the bank’s lending patterns.

Geographic Distribution of Residential Real Estate Loans

The geographic distribution of loans in the AA is reasonable. The distribution of residential real estate loans to moderate-income geographies exceeds the percentage of moderate-income families and reflects excellent dispersion.

Table 3 - Geographic Distribution of Residential Real Estate Loans								
Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of Owner-Occupied Housing	% of Number of Loans	% of Owner-Occupied Housing	% of Number of Loans	% of Owner-Occupied Housing	% of Number of Loans	% of Owner-Occupied Housing	% of Number of Loans
Residential Real Estate	0.00	0.00	10.49	31.25	45.19	62.50	44.32	6.25

Source: 2009-2011 Sample.

Responses to Complaints

NHB did not receive any complaints about its performance in helping to meet credit needs in the assessment area during this evaluation period.

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.